Foreign
Assessment
Center

Economic Intelligence Weekly Review

13 July 1978

Secret

ER EIWR 78-028
13 July 1978

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ECONOMIC INTELLIGENCE WEEKLY REVIEW

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Articles

OECD COUNTRIES: GROWTH, INFLATION, AND CURRENT ACCOUNT OUTLOOK FOR 1978-79

After substantial recovery in 1976, economic activity in most of the non-US OECD countries sagged again in 1977. The composite growth rate of the six largest countries—Japan, West Germany, France, United Kingdom, Canada, and Italy—dipped below 3 percent in 1977, and the smaller developed countries grew at less than 2 percent. Unemployment worsened, inflation remained high, and imbalances in international payments positions in the OECD were aggravated.

The outlook for 1978-79 is for slow but definite improvement in growth rates, marginal progress on unemployment, a decline in inflation rates in 1978 with possibly some rise in 1979, and a swing in the direction of a better balance of payments. But the improvement is distinctly relative. The prospect in most of the OECD is for a continuation of higher rates of unused capacity, unemployment, and inflation than had been customary in the 1960s and early 1970s. Growth in the United States is forecast by the administration to slow somewhat but should still remain ahead of the OECD average.

Because the projected trends already seem fairly well established and the policies that underwrite them largely in place, we think our growth forecast is slightly more likely to err by being too low than by being too high. It does not differ drastically from forecasts made by outside sources, nor does our assessment of inflation prospects.

Trends in GNP Growth

Real GNP growth in the non-US OECD is expected to reach 3.0 percent in 1978 and 3.5 percent in 1979, after attaining only 2.6 percent in 1977.* The smaller

* Consistency and analytical requirements in the development of forecasts make it desirable to specify rates of change to the nearest tenth of a percent and current account balance to the nearest tenth of a billion dollars. However, since forecasting cannot really be that precise, small differences in the forecast data should be regarded as indicative rather than exact.

Note: Comments and queries regarding the ***Economic Intelligence Weekly Review*** are welcome. For the text, they may be directed to [redacted] 25X1

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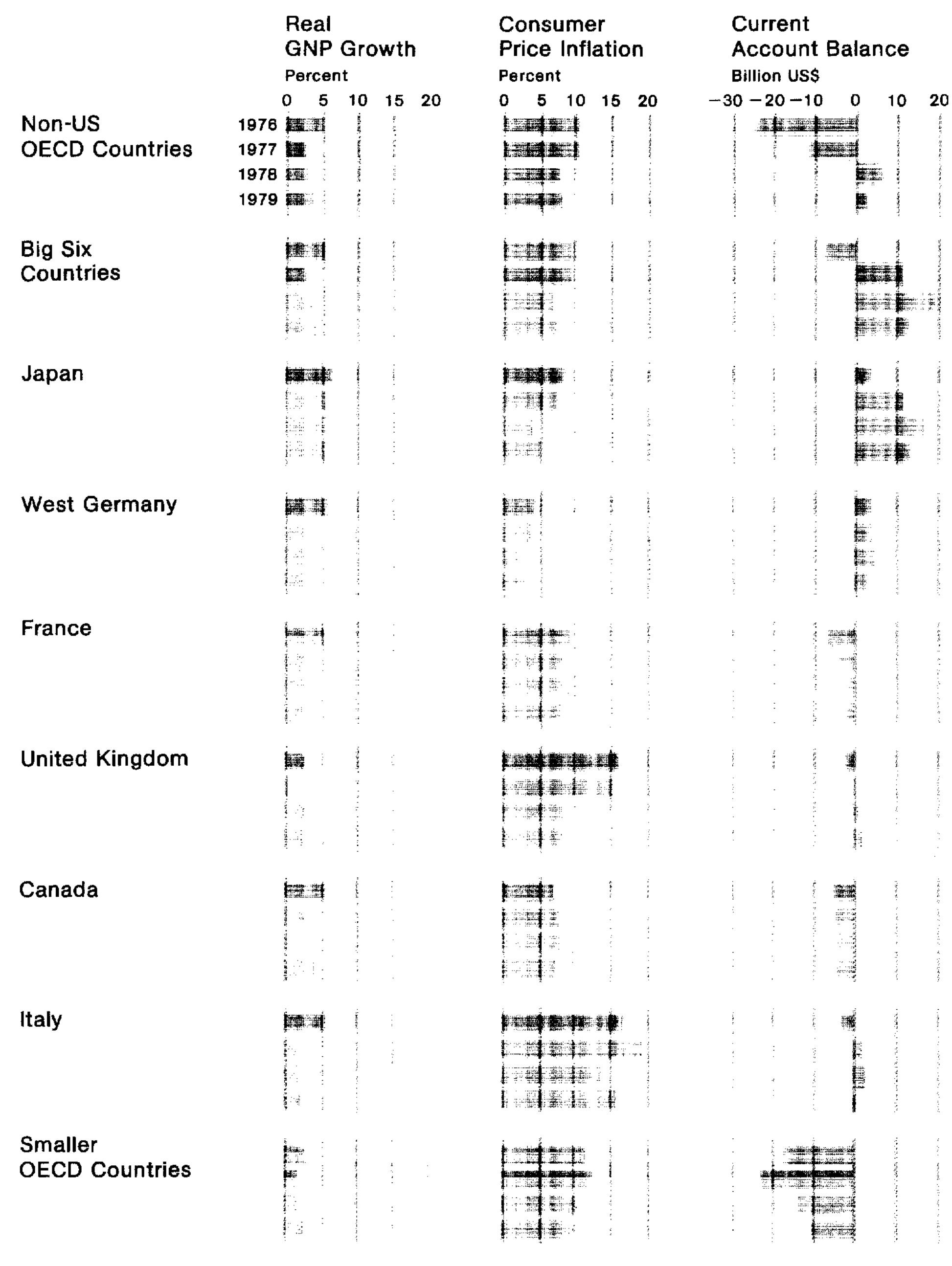
Non-US OECD Countries: Economic Trends



developed countries as a group are expected to experience a marginal drop in growth from 1.8 percent in 1977 to 1.6 percent in 1978 and a subsequent moderate recovery to 2.6 percent in 1979. The Big Six growth rate is forecast to climb from 2.8 percent in 1977 to 3.5 percent in 1978 and 3.8 percent in 1979.

In ***Japan,*** 1978 growth is projected at 5.3 percent, considerably below the government's 7-percent target for fiscal year 1978. Expected growth in 1979 is placed slightly lower, at 5.1 percent. The driving force behind current Japanese growth is a 20-percent increase in budgeted government investment, raising 1978 projected total investment growth to 9.0 percent. Even if the government achieves its investment objective—if execution falls behind it may be necessary to pass supplementary budgets—consumption and business investment seem unlikely to respond sufficiently to push the economy to the 7-percent goal. Despite the seeming intractability of the Japanese payments surplus, measured in dollar terms, the growth of export volume is expected to slow greatly, lowering the direct contribution of the foreign sector to GNP growth and discouraging investment. Japan's strong showing in first quarter 1978 (10.0-percent GNP growth at an annual rate) is believed to be the result of temporary phenomena and a repetition of 1976 and 1977 patterns of rapid first-half growth. In 1979, the government would be unable to raise investment spending by another 20 percent, regardless of growth targets. Since we see some further strengthening of private spending in 1979, but no surge sufficient to take up all the slack in public investment, we expect growth in 1979 to fall off slightly from the 1978 rate.

West German growth is projected at 2.7 percent in 1978 and 3.5 percent in 1979. A rise in government investment expenditures is pushing up total investment in 1978, as in Japan. Also as in Japan, recent currency appreciations are expected to constrain the growth of export volume, diminishing the impetus to growth from foreign demand. Lacking a surge in domestic private spending, which we do not foresee, German growth should pick up only moderately, unless the government undertakes a considerably more expansionary fiscal program than is currently on the books. Despite public discussion of an early and substantial West German tax cut, we have not included such a measure in our assumptions because we believe that the political and technical challenges to an acceptable tax-cut package are likely to preclude its implementation early enough to affect 1979.

In ***France,*** GNP growth is forecast to rise from 3.0 percent in 1977 to 3.4 percent in 1978 and 4.1 percent in 1979. The return of the center-right coalition in the March parliamentary elections has restored business confidence, and investment growth is expected to rise from a -0.6 percent last year to 3.0 percent this year and 4.0 percent in 1979. Consumer spending is projected to pick up also, in response to rising incomes. Given France's still serious, although improving, inflation and balance-of-payments problems, the government is expected to concentrate on stabilization and avoid

Big Six: Real GNP Growth

Percent Change

	GNP			Private Consumption			Government Consumption			Gross Fixed Investment			Final Domestic Demand		
	1977	1978	1979	1977	1978	1979	1977	1978	1979	1977	1978	1979	1977	1978	1979
Big Six	**2.8**	**3.5**	**3.8**	**2.3**	**3.2**	**3.4**	**1.8**	**2.8**	**2.9**	**1.7**	**5.1**	**4.3**	**2.1**	**3.6**	**3.6**
Japan	5.1	5.3	5.1	3.2	3.6	3.9	3.6	3.6	4.0	4.3	9.0	6.0	3.7	5.4	4.7
West Germany	2.4	2.7	3.5	2.9	3.1	3.6	0.7	3.1	3.0	3.0	4.2	4.0	2.5	3.4	3.6
France	3.0	3.4	4.1	2.5	2.8	3.8	3.8	3.5	3.5	−0.6	3.0	4.0	1.9	3.0	3.8
United Kingdom	0.1	2.7	2.5	−0.8	4.0	2.5	−0.2	2.0	2.0	−3.9	4.5	3.5	−1.2	3.7	2.6
Canada	2.7	3.7	4.1	2.8	3.2	3.9	2.0	2.0	2.5	0.3	0.8	1.8	12.2	2.5	3.2
Italy	1.7	2.0	2.3	2.1	2.1	2.1	2.3	2.2	2.4	0.1	Negl	1.0	1.8	1.7	2.0

Percent Change

	Exports of Goods and Services			Imports of Goods and Services			Net Foreign Demand [1]			Total Final Demand			Change in Inventories [1]		
	1977	1978	1979	1977	1978	1979	1977	1978	1979	1977	1978	1979	1977	1978	1979
Big Six	6.6	4.4	5.0	2.4	4.9	5.2	1.0	Negl	0.1	3.0	3.5	3.6	−0.2	0.1	0.3
Japan	10.4	3.5	7.0	2.0	5.0	8.0	1.5	Negl	0.3	5.0	5.1	4.7	0.2	0.2	0.5
West Germany	4.1	4.5	5.2	4.2	6.2	6.0	0.1	−0.3	−0.1	2.6	2.9	3.4	−0.1	−0.2	0.1
France	6.3	5.1	5.0	1.0	5.0	5.0	1.1	0.1	0.1	3.0	3.0	3.8	0.1	0.5	0.4
United Kingdom	6.0	4.4	3.7	3.8	5.9	4.1	0.7	−0.3	Negl	−0.5	3.3	2.5	0.6	−0.6	Negl
Canada	7.4	4.4	4.0	2.5	1.9	2.9	1.0	0.5	0.2	3.2	3.1	3.5	−0.8	0.6	0.6
Italy	5.8	4.5	4.0	−1.0	4.0	3.8	1.6	0.3	0.2	3.3	1.9	2.2	−1.6	0.1	0.1

[1] Change in component as percent of GNP in previous year.

significant expansion in outlays. Net export demand is forecast to rise roughly in parallel with domestic demand and GNP.

The ***United Kingdom*** GNP, after virtually no growth in 1977, is expected to rise by 2.7 percent in 1978 and then fall off to 2.5 percent in 1979. Consumption is growing strongly following recent tax cuts, which bolstered disposable income. Business investment is rising in response to Britain's improved international payments position, an easing of government fiscal policy, and more buoyant consumer demand. But much of the increase in domestic demand is being satisfied by substantial increases in imports, rather than contributing to the growth of domestic income. Further, sizable fiscal stimulus is not in the cards for 1979, given the government's likely reaction to an expected slow upward drift in inflation. Thus, with a slackening in the growth of disposable income, some possible restrictive fiscal policies, and a further tightening of monetary policy, growth of both consumption and investment spending is expected to subside, leading to a mild slowdown in 1979.

In ***Canada*** GNP is projected to grow at 3.7 percent in 1978 and 4.1 percent in 1979. The impetus for this growth is expected to come mainly from strengthening of consumer demand, further improvement in the real balance on goods and services, and inventory expansion. Private consumption is being spurred by temporary cuts in federal income and provincial sales taxes. We anticipate a continuation of the sales tax cuts into 1979. The federal government, on the other hand, continues to follow a cautious policy, with control of inflation its highest priority. Government consumption is, therefore, expected to hold near last year's 2.0 percent, rising only slightly higher in 1979. Investment spending continues to be extremely sluggish, although it should pick up on the strength of higher consumer demand and could be favorably affected in 1979 if Ottawa moves ahead promptly with the Alcan pipeline.

In ***Italy,*** GNP growth is forecast at 2.0 percent in 1978 and 2.3 percent in 1979. Political turmoil and economic uncertainty have sapped business confidence to a degree that investment is expected to be virtually stagnant in both 1978 and 1979. Domestic demand is expected to grow very slowly, and the anticipated improvements in the real balance on goods and services will be needed to raise GNP growth even to the rates we are projecting. In spite of the government's rhetorical commitment to austerity, political agreement on spending cuts has not been reached, and the 1978 budget deficit has been increasing rapidly. Unless this deficit is brought under control, our projections for government spending and probably consumption are likely to be under the mark. Thus 1978 growth would be higher than forecast, and so would imports; it is unclear how long the resulting international payments situation could be sustained.

Unemployment and Inflation

Unemployment rates generally rose in 1977, and the diffident economic upturn forecast for 1978-79 is likely to do no more than slow the rise in unemployment in some countries and stabilize or marginally lower the unemployment rate in others. Among the Big Six, ***West Germany*** may record slight reductions in unemployment in 1978 and 1979. Joblessness should also decline in ***Britain*** in 1978 but is likely to rise again in 1979. ***Canada*** and ***France*** will probably see their unemployment rates worsen in 1978, while in 1979 the deterioration should at least be arrested. ***Japan*** may experience a marginal increase in unemployment in both years but has fairly good medium-term unemployment prospects due to slower future growth in the working-age population. The projected ***Italian*** growth rates in 1978 and 1979 foreshadow a continuing rise in unemployment. ***The smaller OECD countries*** are generally experiencing particularly rapid increases in unemployment, which should slow or come to a halt in 1979.

Inflation is expected to slow down in the non-US OECD from an average 10.3 percent in 1977 to 7.8 percent in 1978 and 7.9 percent in 1979. Weak demand and excess industrial capacity have been important factors in lowering inflation rates. Slack labor markets and past successes in slowing inflation have contributed to lowering wage settlements and to reducing the cost-push element. Currency appreciations in a number of countries have also served to hold down the local currency prices of imports. These elements taken together have sufficient momentum in 1978 to lower inflation rates. However, the projected upturn in growth, as well as an assumed 10-percent nominal oil price increase next year, should be enough to arrest the current decline in 1979.

France and ***Canada*** are likely to witness an opposite pattern. In the case of France, the inflationary effects of current measures to reduce the scope of government price-setting should be felt principally in 1978. In Canada, substantial increases in the domestic price of crude oil, the effects of significant currency depreciation, and a strong rise in food prices have all contributed to raising the inflation rate in 1978. None of these is expected to be as important in 1979.

Current Account Balances

The Big Six current account surplus seems certain to grow substantially this year from $10.1 billion to $18.7 billion. Concurrently, the enormous $21.9 billion deficit in 1977 of the smaller developed countries should drop to $12.5 billion, and the US deficit probably will rise by about $5 billion over its record 1977 level of $15.2 billion. The steep increase in the Big Six surplus and sharp decline in the deficit of the smaller developed countries should lead to a swing in the non-US OECD current account balance from a $11.8 billion deficit in 1977 to a $6.2 billion surplus in 1978. This shift in balance, in spite of the anticipated deterioration of the US balance, should produce a decline in the total OECD deficit with the rest of the world from $27.0 billion to $14.2 billion.

OECD: Current Account Balances

Billion US $

	1977	1978	1979
OECD	**−27.0**	**−14.2**	**−9.7**
United States [1]	−15.2	−20.4	−12.7
Non-US OECD	−11.8	6.2	3.0
Big Six	10.1	18.7	13.0
Japan	11.1	17.0	13.0
West Germany	3.8	4.1	3.0
France	−3.2	−1.8	−2.0
United Kingdom	0.3	0.7	2.0
Canada	−4.0	−4.0	−4.0
Italy	2.1	2.7	1.0
Smaller OECD	−21.9	−12.5	−10.0

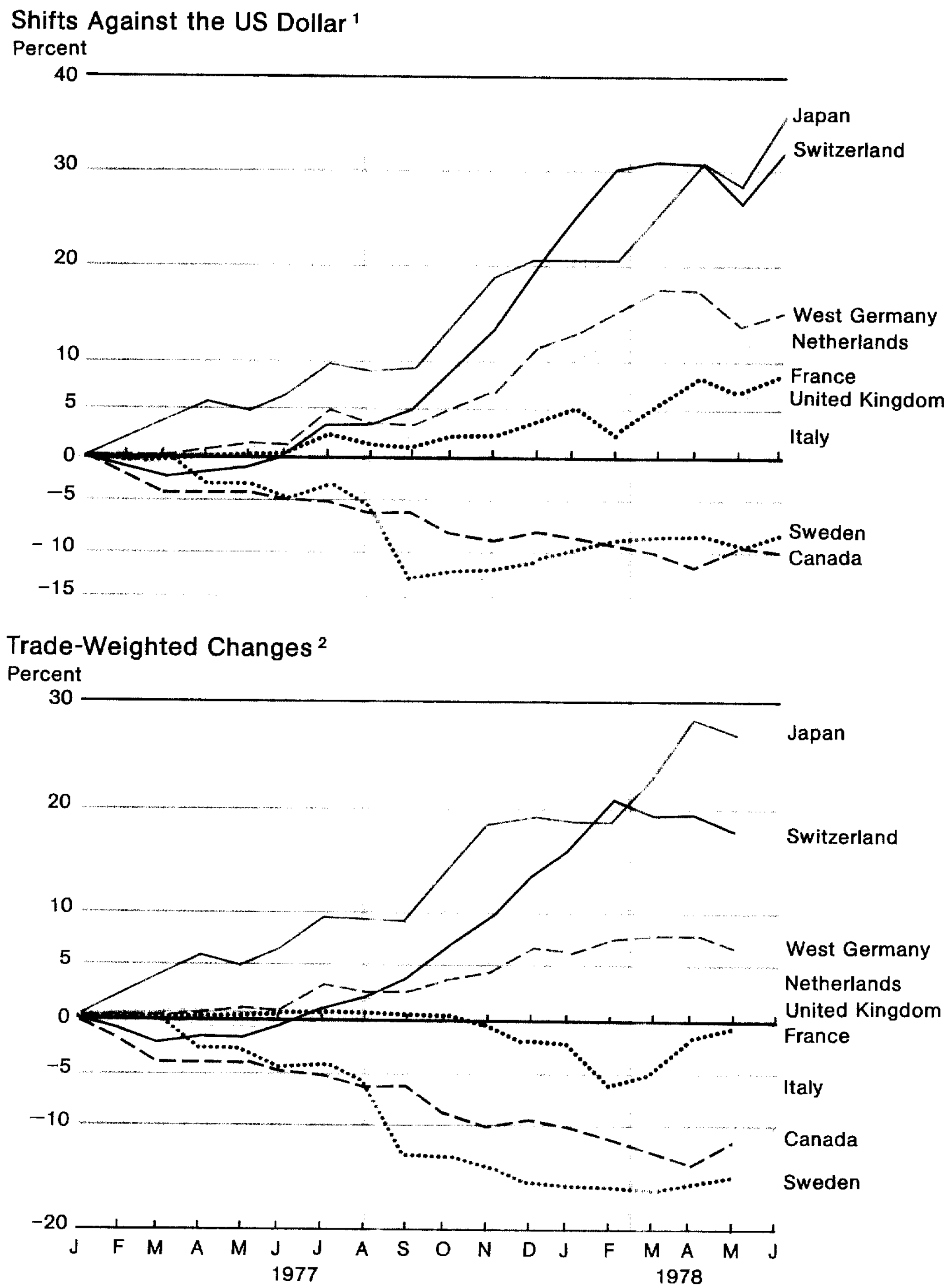
[1] Data Resources Inc. forecast, adjusted to include estimated net reinvested earnings, in accordance with new definition of the US current account.

The outlook in 1979 is for a decline in the Big Six surplus, to $13.0 billion; continued reduction of the deficit of the smaller developed countries to $10.0 billion; and improvement of the US deficit, bringing it down to $12.7 billion. As a result of the offsetting directions of movement in the Big Six and smaller developed country balances, the non-US OECD 1978 surplus of $6.2 billion is expected to decline to $3.0 billion. This decrease, in combination with the reduction of the US deficit, implies a further drop in the total OECD deficit to about $9.7 billion.

Two strands of consistency stand out: Both the OECD as a whole and the smaller developed countries reduce their deficits in each of the forecast years. The first development is related to an anticipated sharp decline in the OPEC surplus, owing to a drop in oil revenues in 1978 and an increase in the OPEC import bill. Volume and price factors each play a part on both the export and the import side, with OPEC oil export volume down and price increasing by less than world inflation rates, while import volume as well as prices are rising.

The intra-OECD swings in international balances between 1978 and 1979 are explained by the significant changes in currency values, which have taken place over the past 18 months, as well as by the moderate convergence in growth rates within the OECD. The widely known "J-curve" effect—whereby currency depreciations temporarily cause larger deficits measured in money terms, and conversely, appreciations

Selected Foreign Currencies: Exchange Rate Fluctuations



1 Percent change in US cents per foreign currency unit from January 1977 to month indicated.

2 Percent change in bilateral-trade-weighted value of currency from January 1977 to month indicated.

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cause temporary increases in surpluses (an inverted "J")—is exercising an important influence on the balances of many of the major countries, particularly Japan. Dollar prices of Japanese exports have risen considerably, while dollar prices of Japanese imports have remained relatively constant. Thus, even though the Japanese foreign balance is forecast to remain constant ***in volume terms,*** in 1978, its value in dollars is expected to reach $17.0 billion. Similar effects are in process in West Germany and other countries with appreciating currencies. By 1979, a combination of the lagged effects on demand of the changed currency values, some reversal of import and export price movements, and the slowly converging US and non-US OECD growth rates are expected to make headway in reducing the prevailing intra-OECD imbalances.

Uncertainties in the Forecast

Barring a further major slowdown in US growth, we think there is relatively little downside risk in this forecast.

The base from which most countries are moving is low. The upward direction of movement is already generally clear. The policy conditions necessary for improvements are largely in place. Among the biggest countries, the projected Japanese growth rate depends on the government achieving its ambitious public investment target, and the Japanese commitment is quite strong. West German growth should be facilitated by an already ample growth of the money supply and by recent moderate wage settlements. Balance-of-payments and inflation constraints have eased in most other countries so that a sharp tightening of present demand management policies does not seem particularly likely. Our forecast assumption of a 10-percent increase in the nominal oil price in 1979 may be on the high side; if so, the task of monetary authorities would be somewhat eased.

Inventory changes, one of the most volatile elements of the major GNP components, are a particularly vulnerable aspect of any forecast. In most cases where total final demand (which excludes stock-building) is rising, we have forecast increases in inventories. If these increases are not realized, actual output will be less than projected. In no country, however, is inventory change the major force in projected growth.

Prospective exchange rate changes constitute another area of uncertainty. It is conceivable that exchange markets could overcorrect and that countries with strongly appreciating currencies, such as Japan and West Germany, could experience significantly greater impact on their exports than we have forecast. It is also possible that the psychological effects of further currency changes, if they occur, could inhibit private spending. We have seen no convincing evidence to date that these possibilities represent serious threats. In fact, there is some reason to believe that significant

Big Seven: Forecasts of Real GNP Growth

Percent Change

	CIA	OECD [1]	DRI [2]	Chase-Econometric [3]
		1978		
Big Seven [4]	3.8	3.6	3.9	3.7
United States	4.0 [5]	3.9	4.0	3.4
Big Six [4]	3.6	3.4	3.9	4.1
Japan	5.3	4.5	5.4	6.0
West Germany	2.7	2.8	3.0	3.0
France	3.4	3.3	3.4	3.8
United Kingdom	2.7	2.6	2.9	2.7
Canada	3.7	4.0	4.4	3.9
Italy	2.0	1.5	3.0	2.9
		1979		
Big Seven [4]	4.1	3.4	3.8	3.8
United States	4.3 [5]	3.3	3.6	3.0
Big Six [4]	3.9	3.5	4.0	4.5
Japan	5.1	4.5	5.2	5.6
West Germany	3.5	3.1	3.5	3.9
France	4.1	3.7	3.7	4.7
United Kingdom	2.5	2.0	2.6	4.0
Canada	4.1	3.5	4.3	4.1
Italy	2.3	3.0	3.8	3.3

[1] Preliminary May 1978 projections. Data for 1979 are projections for the first half.
[2] Projections for Germany and the UK are from the July interim European forecast; France and Italy are from the June *European Outlook;* Canada is from the June *Canadian Review;* Japan is from the June *Japanese Economic Review.*
[3] May projections.
[4] For comparability, 1976 GNP weights were used.
[5] Administrative forecast.

changes in currency values are increasingly being accepted by the private sector as a normal element in the conduct of business and absorbed smoothly into the flow of economic activity.

Comparison with Other Forecasts

This forecast does not differ greatly from others recently issued. With respect to real GNP, our expectation for 1978-79 growth in the Big Six economies is for higher growth than forecast by the OECD, about the same as that called for by Data Resources Incorporated and lower than that predicted by Chase Econometric. These other forecasters, as do we, also call for a general bottoming-out of the recent declines in these countries' inflation rates, and in some cases they project slight accelerations in inflation for next year.

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WORLD BEEF: NO PRICE RELIEF IN SIGHT

Strong import demand combined with little change in export availabilities have pushed beef prices to a three-year high. A tight market situation is expected to continue through 1978 and into 1979 with a good chance of even higher prices, particularly if the Soviet Union should reenter the world market.

This year total beef exports of the major exporters * are forecast to rise only 5 percent. Export availabilities, however, of those permitted to export beef to the US market will be down. On the strength of an estimated 12-percent increase in imports in the United States, import demand by the leading Free World importers—the United States, EC, and Japan—is forecast to rise about 8 percent or 125,000 tons.** Although nearing the bottom of the herd liquidation phase of the beef cycle, numbers of cattle during 1978 are expected to continue to decline in the United States (the largest producer and importer) and in Australia and New Zealand, the two most important exporters to the United States. A nearly synchronous beef cycle—about 10 years from peak to peak—among these three countries is contributing to the current tight supply situation.

Beef and Veal Trade

Thousand Tons

	1974	1975	1976	1977	1978 [1]
Major exporters					
Australia	486	744	860	1,087	1,040
New Zealand	258	305	383	403	370
Mexico	19	14	23	30	34
Central America and Hispaniola	115	124	133	134	170
Argentina	289	266	534	605	760
Uruguay	120	113	195	129	140
Major importers					
United States	747	808	953	890	1,000
Japan	77	64	130	120	135
EC	429	286	458	475	475
USSR	350	360	200	345	50
Brazil	53	29	27	20	100

[1] Estimate.

Marginal Increase in Exportable Supplies

World trade in beef and veal in recent years has annually totaled about 3 million tons, with about 75 percent being supplied by the major exporters. The major beef

* Australia, New Zealand, Mexico, Central America, Hispaniola, Argentina, and Uruguay.
** All quantities in carcass weight equivalents unless otherwise stated.

exporters can be divided into two groups: (a) those free of foot-and-mouth disease (Australia, New Zealand, Mexico, and Central America *) and, therefore, having unlimited access to world markets; and (b) those where the presence of foot-and-mouth disease (Argentina and Uruguay) limits shipments to markets, such as the United States, to certain processed meat products.

Within the first group, which is obviously most important to the United States, only the Central American nations are expected to increase cattle numbers, beef production, and exports in 1978. Due to dwindling income of ranchers and drought, ***Australia***, which supplies more than one-half the beef and veal under the US import quota program, and ***New Zealand***, our second most important supplier, have seen their herds decline steadily since 1975. We estimate that their combined inventories by January 1979 will total only 36.9 million head, off 15 percent in 3 years.

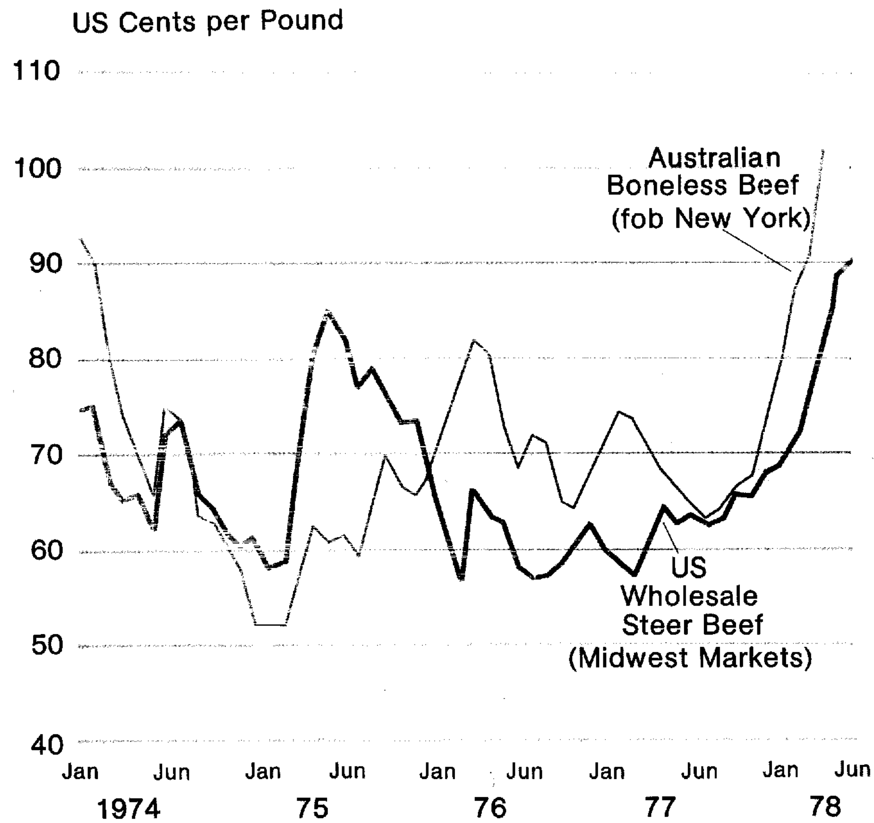
Australian beef and veal production, which hit a record of 2.1 million tons in 1977, is forecast to drop 100,000 tons this year and most likely will decline again in 1979. New Zealand exhibits a similar historical pattern and outlook. The recent jump in cattle prices and signs that the drought has been broken should stimulate herd rebuilding in both countries. This will further tighten supplies in the near term by decreasing cattle available for slaughter. Although Australian exports of beef and veal in 1978 have been estimated at 4 percent below 1977, inventories in excess of 100,000 tons and higher US import demand could push exports to near last year's level. New Zealand's 1978 exports are also expected to be lower.

Mexico's cattle population over the past few years has decreased slightly. Beef production in 1978 is expected to equal the 1.04 million tons produced last year, and exports should expand. Also, the current drought in northern Mexico has increased the export of live cattle to the United States this year. ***Central American*** herd size, beef production, and exports have increased steadily since 1974. As with Mexico, virtually all exports of beef and veal are destined for the United States. Exports are expected to reach about 170,000 tons in 1978 and should increase moderately in 1979. If it is determined that these or other suppliers cannot meet their 1978 US quota, we expect that Australia will be able to cover the shortfall.

Markets for beef and veal from ***Argentina*** and ***Uruguay***, the two principal South American exporters, are limited because of the presence of foot-and-mouth disease. Traditionally, most of their beef exports have been destined for Western Europe. The EC, however, has cut beef imports drastically since the early 1970s, causing both of these countries to look for new markets in Latin America, Asia, and Africa. Exports to Brazil will be increased this year to compensate for that country's drought. Argentine and Uruguayan beef production is forecast to reach almost 3.5 million tons in 1978, up

* Including the Dominican Republic and Haiti.

US Domestic and Imported Beef Prices



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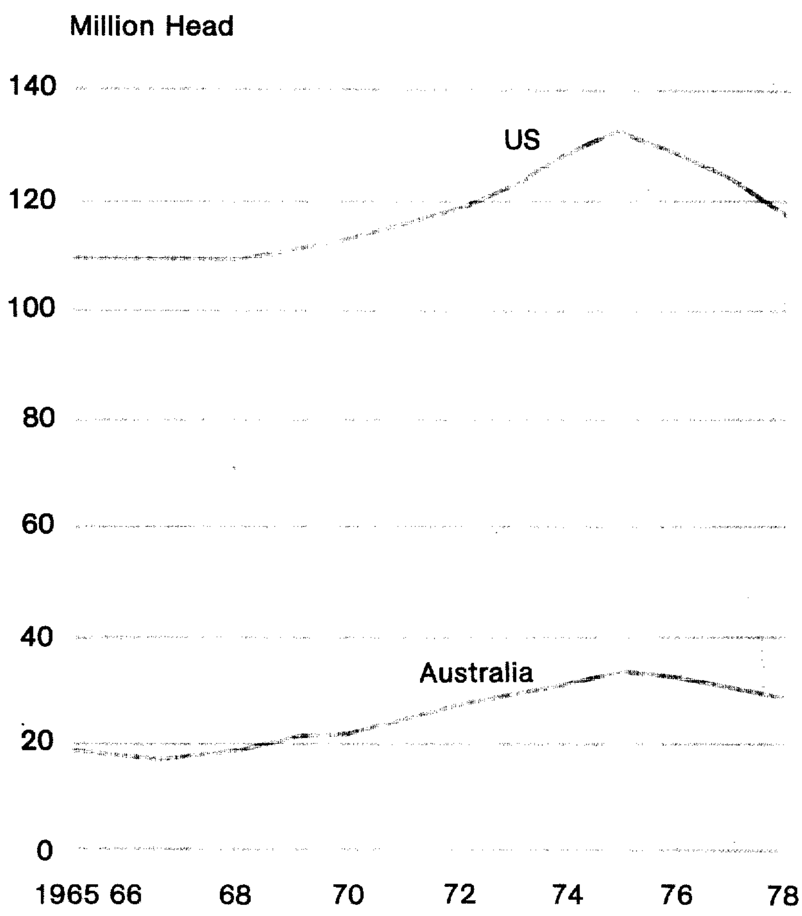
39 percent since 1974, the largest increase among major exporters. Together, beef and veal exports in 1978 are expected to reach about 900,000 tons, more than double the 1974 volume. Cattle numbers in both countries are expected to decline during 1978 and 1979 as slaughtering is stepped up to take advantage of attractive export prices.

Import Demand Strong

Imports of beef and veal by the three major Free World importers in 1978 are expected to reach 1.61 million tons, 8 percent more than 1977 and the highest level since 1973. This year's increase is almost solely due to the projected 12-percent increase in US imports.

On 1 January 1978, the US cattle herd was 116 million head, down for the third straight year. A further decline is expected this year. This country's cattle population reached a record 132 million head at the beginning of 1975. The USDA expects US

Cattle Inventory



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beef production in 1978 to total almost 11.0 million tons, off 4 percent from last year and more than 7 percent below 1976. Despite higher pork and poultry production, total meat production is expected to be off 1 percent. In June, the United States announced an increase of more than 90,000 tons in the 1978 beef and veal import program that should raise 1978 US imports to about 1 million tons, 70 percent supplied by Australia and New Zealand. The United States imports mostly lean beef that goes into hamburger, and these imports represent only about 8 percent of all beef consumed. Herd rebuilding in the United States, which should be well under way in 1979, is expected to drop domestic meat production further. Although beef consumption is estimated to be off about 5 percent in 1978 and could show a further decline next year, US import demand for foreign beef is expected to remain strong in 1979.

Japan, under pressure from the United States and Australia to increase imports of quality beef, is expected to take about 135,000 tons in 1978, 15,000 tons more than last year. The ***EC***, still in a beef surplus position with intervention stocks in excess of 325,000 tons (product weight), will hold 1978 imports at approximately last year's level of 475,000 tons. Little change is expected in production or consumption.

The ***Soviet Union*** imported a record 617,000 tons of meat (all types) in 1977, but absence of purchases from the Free World so far this year portends a sharp cut in 1978 imports. Total cattle numbers in the socialized and private sectors reached 112.5 million head at the beginning of 1978, up 2 percent over 1977, and growth continues in 1978. Production of meat in 1977 was 14.8 million tons, and according to performance so far this year, the 1978 plan level of 15.6 million tons may be achieved. Beef production in 1977 was up 5 percent, reaching a record 6.9 million tons. Growth in the pork and poultry sectors was even greater as the program to rebuild numbers, severely cut as a result of the 1975 harvest shortfall, took effect.

Considering the improved domestic production situation and high world prices, the Soviets may limit imports to shipments from their traditional East European suppliers. Nevertheless, given the level of imports in recent years and the unsatisfied consumer demand for meat, the possibility of Soviet buying of beef and other meat cannot be excluded.

Outlook for Higher Prices

The US prices of imported beef climbed 30 percent between January and April 1978—even greater than the jump in US cattle and meat prices. An increase in US marketings of live cattle followed the announcement of an increased import quota and slightly weakened domestic prices in recent weeks. If this trend of high marketings continues into the fall months, it will delay herd rebuilding in the United States and will likely exert greater upward price pressure in 1979. The increase in the United

States 1978 import quotas, however, will do little to sustain lower domestic prices. It has also had the effect of raising prices in our major suppliers' domestic markets. For example, cattle prices in Australia have jumped 40 to 45 percent since April. Nor can one expect continued high United States beef imports in 1979 to dampen price strength unless consumer resistance to high retail meat prices sharply depresses purchases. [redacted] 25X1

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WEST GERMANY: WAGE SETTLEMENTS STRIKE SOUR NOTE FOR THE FUTURE

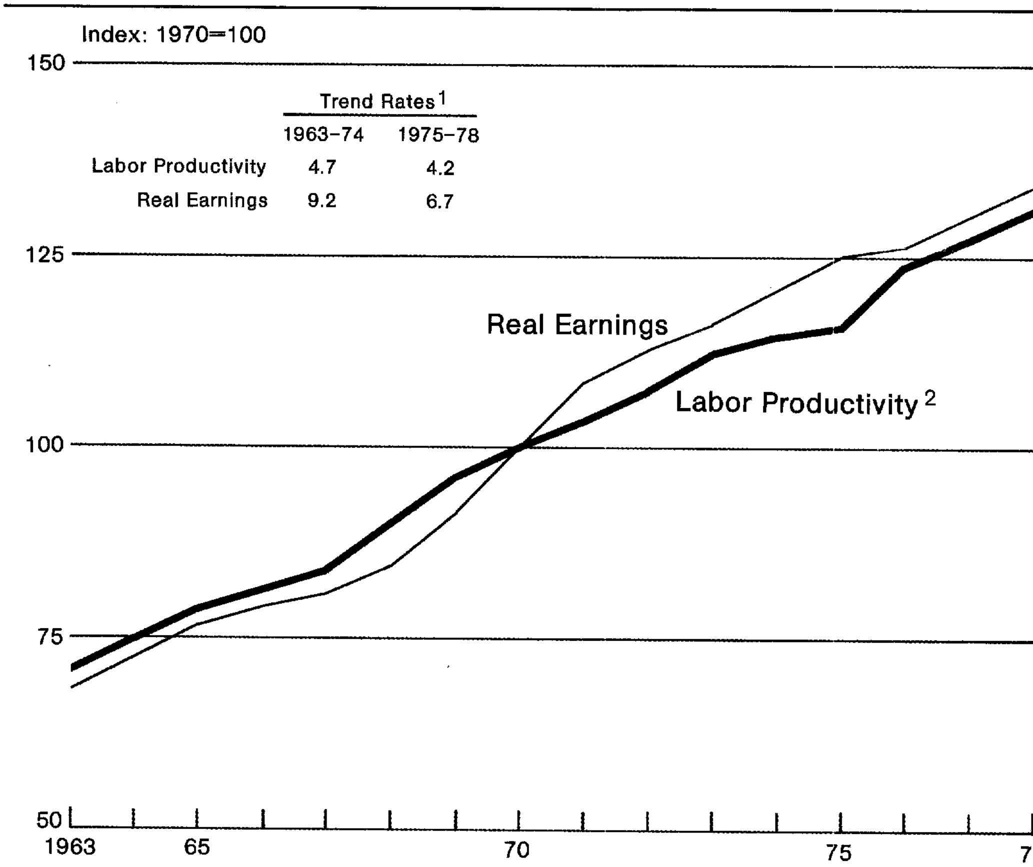
The harmony among labor, management, and the goverment that has been the hallmark of West Germany's "economic miracle" throughout most of the postwar period was dealt a solid blow by the recent bitter round of wage negotiations. Workers finally settled for wage increases smaller than those won in 1977, and the antagonism that surfaced in the bargaining process could have far-reaching effects. Union militancy is likely to increase in coming years as the formerly docile rank and file assert themselves in dealings with both management and their own top officials. Even though wage settlements were close to the government's target, they could contribute to the shortfall in Germany's expected economic growth this year. Growth in business investment will likely be more depressed by new job protection clauses than by the wage settlements.

Prelude to Bargaining

Labor tranquility showed signs of evaporating before this year's round of wage negotiations began. Real wage increases beginning in 1975 dropped far below the long-run trend in keeping with slower productivity growth. Union leaders accepted this deceleration in members' real earnings because (a) the 1975 tax cuts and increases in family allowances boosted disposable income for a while and (b) they were persuaded that business profit margins had to be increased to accelerate investment. Many companies, however, directed most of their new investment into labor-saving equipment or to foreign sites.

Just as the postwar business/labor consensus was unraveling, the Codetermination Law was passed in late 1976 to take effect in July 1977. Though labor has gradually increased its boardroom influence in this decade, all sides expected the national

West Germany: Trends in Labor Productivity and Real Earnings



[1] The trend rate is the slope of the line established by regression of the natural logarithm of a series against time.

[2] Index of GNP per person employed.

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legislation to mark a turning point in labor/management relations. Unions were dissatisfied with the law as finally approved since it did not grant them full equality with stockholder representatives in company management and it contained loopholes, which effectively cut the number of firms required to participate from 650 to 470. Employer organizations, fearing that even the diluted law would threaten their investment policies, filed suit in June 1977 to block implementation. The unions responded by walking out of the joint government/business/labor economic planning group (Concerted Action Group) and by announcing that they would not rejoin until the suit was withdrawn.

The Codetermination Law took effect as scheduled, and the employers' suit is still pending. The terrorist murder of Hanns-Martin Schleyer, head of the two largest employers' organizations, effectively froze management's position. Schleyer had brought the suit, and his successors have been unwilling to withdraw it.

The Divisive 1978 Wage Round

The 1978 wage round produced a number of unpleasant surprises for both business and labor leaders, even though most negotiated wage increases, at about 5 percent, were less than last year. The round was characterized by unprecedented strikes and lockouts. Union voting rules, which make strike motions difficult, were repeatedly overcome. The first negotiations of the year led to a strike of dock-workers—their first in 82 years. Business and labor leaders were shocked when the union membership rejected the initial contract, hammered out at the negotiating

West Germany: Key Wage Settlements of the Trade Union Federation

	Membership (Thousand Persons)	Negotiated Wage Increase Over the Previous Year (Percent)		Benefits
		1977	1978	
Total	7,613			
Of which:				
Metal workers	2,624	6.9	5.0	Job and pay protection.
Public service and transport workers	1,078	5.3	4.5	One to 2 days additional paid leave.
Chemical, paper, and ceramic workers	651	7.0	4.3	Two days additional paid leave, special unemployment payments.
Postal workers	418	5.3	4.5	NA
Mining and energy workers	317	6.4	4.4	Work week reduced from 42 to 40 hours, 2 additional paid leave days.
Textile and clothing workers	287	6.8	5.0	One additional day paid leave.
Commerce, banking and insurance workers	292	6.6	5.0	NA
Printing workers	152	6.6	5.0	Job and pay protection.

table. Similarly, in the next major negotiations, printers rejected a contract worked out by their leaders and went on strike, temporarily closing 70 percent of the country's newspapers. Disruptive strikes and lockouts also occurred in the pattern-setting metal industry. The strike vote of metal union members in North Baden-Wuerttemberg set a postwar record, 90.2 percent.

Job security was a key issue in this year's wage negotiations. Disagreements over job protection clauses were directly responsible for the printing and metal workers' strikes, which have accounted for more than 90 percent of the working days lost thus far in 1978. The new labor contracts assure metal workers, for example, that if their jobs are eliminated or downgraded by new technology, they will be retrained or transferred laterally if possible and paid their original wage for 18 months in any case. Downgrading of jobs is restricted, and local union works councils have sole responsibility for implementation of the new provisions. Typesetters in the printers' union won even more sweeping protection; those displaced by new technology must be retrained and paid at least their original wage for six years. Further, workers who transfer will have relocation costs covered by their original employer and be paid a wage supplement for one year if the new wage is lower than the old.

Fissures between union leadership and the rank and file were also opened during the 1978 wage round. The membership not only rejected several major contracts proposed by union leaders but also forced their leaders to support certain policy issues, such as combatting unemployment by reducing working hours. Top union officials argue that the basis of their estrangement from the rank and file is the formers' belief that the market economy as it now exists is the best possible system; many union members want a more socialized economy and greater worker control over enterprises.

Impact of Above-Target Wage Settlements

The wage settlements negotiated this year indicate that the government's guideline for a 5.5 percent increase in total gross earnings may be exceeded only slightly. Gross earnings for all wage and salary earners, covering more than 80 percent of the employed labor force, should rise by 5.5 to 6 percent. Though this increase is below last year's 6.8 percent, it could exceed the government target because of wage drift, which typically adds 0.5 to 1.0 percentage point to negotiated wage increases. Little change is expected in total employment.

Even the small above-target increase in earnings would depress economic growth and augment inflation and unemployment. Our model of the German economy indicates that real GNP growth in 1978 may be 0.1 to 0.2 percentage point less than it would have been if earnings rose at the target rate of 5.5 percent. The growth rates of real business investment and real government consumption are most sensitive to higher wage settlements. The model indicates that under conditions prevailing this year a 1 percentage point increase in earnings above the government target slows the growth of business equipment investment by 0.5 percentage point and government consumption by 0.7 percentage point. Government consumption is sensitive because wages and salaries constitute such a large share of government purchases. Given a 1 percentage point above-target increase in earnings, the government price deflator grows 0.8 percentage point faster. Consumer prices, on the other hand, grow only 0.2 percentage point faster. Chances for continued slow growth in consumer prices are enhanced by the continued parallelism of real wages and productivity gains.

The model also suggests that the effect of above-target wage settlements is magnified in subsequent years. For example, a wage settlement 1 percentage point above the government target will boost the number of unemployed workers by 45,000 this year and by 60,000 in 1979. By the same token, the growth of total fixed investment (including housing) slows by 0.4 percentage point this year and by 0.8 percentage point in 1979. This larger impact would occur even if wage gains were smaller in 1979 because of the lag in investors' response to expectations of lower profits. The model cannot measure the longer term impact of reduced business confidence as a result of the breakdown in the union/business consensus and the heightened possibility of repeated large-scale work stoppages.

Outlook

Labor militancy in West Germany seems likely to increase, with growing negative effects on the economy. Bundesbank president Emminger is only one of many German analysts who anticipate greater labor turbulence in coming years. Aside from economic factors, Emminger cites the growing influence of a new generation of labor leaders. Second-level officials, many of whom have spent their entire careers in the union bureaucracy, are exceedingly militant and lack the present union leaders' belief in the efficacy of a free-market economy.

Relations between the unions and the Social Democratic (SPD)/Free Democratic (FDP) government could deteriorate further. Union leaders rejected FDP Economics Minister Lambsdorff's call for moderate settlements as unacceptable interference in the negotiations. The government's policy of encouraging investment and technological innovation runs counter to union efforts to increase job projection. Most observers expect union criticism of government policy to continue. In a recent speech, German Trade Union Federation head Heinz Vetter lumped the FDP coalition partner together with the opposition parties in identifying those hostile to long-range union goals. Schmidt's Social Democrats will be hard put to reconcile the views of the FDP and the unions, which form the core of the SPD's political support. [redacted]

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SOUTH YEMEN: CUTOFF IN ARAB AID

On 2 July the Arab League in emergency session voted to suspend economic and technical aid to South Yemen in reprisal for Aden's complicity in the assassination of North Yemeni President Al-Ghashmi. Although a complete cessation may not be possible because of South Yemen's strong political ties with left- leaning League members such as Libya, the Persian Gulf states led by Saudi Arabia seem determined to pursue several avenues of economic sanctions. [redacted]

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Aid from conservative Arab countries will be halted, and action is under way to tighten up on other financial flows. A suspension of grants and worker remittances from the Gulf states alone would deny South Yemen $150 million annually in foreign exchange—equivalent to about one-third of GNP—leaving Aden in substantial balance-of-payments deficit and striking a heavy blow at its development program.

An Up-Hill Economy

Prior to independence in 1967, a thriving economy had been built in the immediate neighborhood of Aden's harbor, but the rest of the Aden Protectorate was backward in the extreme. The city's prosperity was based on an oil refinery, bunkers and ship services, trading activities connected with the free port, and services to British military personnel. Elsewhere, industrial production was almost nonexistent. Outside Aden, the economy was dependent largely on subsistence agriculture, fishing, and smuggling, and basic infrastructure was primitive.

Independence was a severe blow, especially to the economy of the city, and nearly a decade was required for recovery. Independence coincided with closure of the Suez Canal, withdrawal of British forces and administrative personnel, and abrupt cessation of British budgetary support. The new government, as a result, invoked extreme austerity measures, focusing on cutbacks in civil service wages and other public expenditures. Initiation of two development plans in the past decade have induced a slow expansion in the output of agriculture, fisheries, and light industry. Finally, in 1976, real growth registered a marked upturn, to about 6 percent. GNP in 1976 was estimated at $470 million, $280 per capita.

A socialist economy was installed in 1969. Today the bulk of the country's economic life is controlled by public sector companies, state farms, and agricultural cooperatives. Private enterprise has been confined primarily to trade and handicrafts. The British Petroleum Corporation oil refinery was taken over by the government in 1977. However, the company allowed the refinery to deteriorate during the 1970s because of the threat of nationalization.

Precarious Balance of Payments

South Yemen's economy is heavily dependent on imports. The land is mostly mountainous or coastal desert. Lack of surface water and low precipitation have limited agricultural development. No oil or minerals of commercial importance have yet been discovered. All capital goods, most intermediate products, and a large amount of foodstuff and other consumer goods must be purchased abroad. Food items typically account for almost 30 percent of imports. Food imports equal the value of output of domestic agriculture and fishing.

During the past four years, export earnings from goods and services have covered less than 25 percent of the import bill. Export earnings come mainly from sale of fish, salt, coffee, and hides. Earnings from ship services and bunkers have picked up

South Yemen: Balance of Payments

Million US $

	1974	1975	1976	1977
Current account balance	−100	−76	−51	−60
Exports, f.o.b.	17	20	44	51
Imports, c.i.f.	−188	−182	−286	−368
Services (net)	29	20	30	23
Private transfers	41	56	115	179
Official grants	1	10	46	55
Official loan drawings	48	32	59	90
Other capital, errors and omissions	17	22	−20	4
Overall balance	−35	−22	−12	34

somewhat since reopening of the Suez Canal in 1975, but the restructuring of international shipping that followed the closure militates against substantial future growth prospects. The Aden oil refinery still operates at only one-sixth of its capacity.

Rapid growth in imports since 1975 has been matched or exceeded by increases in remittances from Yemeni workers abroad and from official grants. Foreign loans have also been forthcoming for major investment projects. The government has used commercial loans sparingly, preferring to rely on concessional lending. To cover the overall balance-of-payments deficit, however, Aden has had to draw down foreign exchange reserves as well as use IMF credits, which now stand at about $45 million.

Persian Gulf Economic Leverage

Attempts by Saudi Arabia and the Persian Gulf states to woo South Yemen from its Communist benefactors began around 1975. In the next two years, financial support from the Gulf became substantial, although Saudi Arabia had stopped the flow of its aid in late 1977 because of continuing political differences with South Yemen. [redacted]

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Project development support also increased markedly. Kuwait was the first Gulf state to offer bilateral loans, soon followed by Saudi Arabia and the United Arab Emirates. The Arab Fund for Economic and Social Development, in which Gulf states control nearly 50 percent of voting shares, was a large contributor to investment projects. Kuwaiti and Saudi lending institutions and the Arab Fund have been heavy co-financers of projects with the International Development Association. [redacted] Until 1975, most economic assistance had come from Communist countries, and this has been heavily drawn down. Only Algeria, Iraq, and Libya among Arab states had made contributions prior to 1975.

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[redacted] A suspension of grants and worker remittances from Gulf states probably would deny some $150 million annually in foreign exchange proceeds. Aside from the additional foreign exchange losses that would ensue from cancellation of project loans, a great deal of time and momentum in South Yemen's development program would be forfeited, even if radical Arab or the Communist states elected to increase their support.

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Outlook

The Saudis are alarmed by recent radicalization of the South Yemeni regime and appear bent on maximizing economic pressure on Aden. They apparently have firm backing from Bahrain, North Yemen, UAE, Oman, Kuwait, and possibly from Iraq and Syria, as well. The Gulf states undoubtedly can use their position in the Arab Fund to suspend further loan disbursements, although this institution in the past has made a point of keeping politics out of aid decisions. As for the uncommitted radical Arab states, particularly Libya, ideological affinity with South Yemen probably would dominate their stand, and they most likely would refuse to join a boycott. 25X1

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CHINA: ECONOMIC ROLE IN VIETNAM

China's suspension of all economic aid to Vietnam will trouble but not cripple the SRV's languishing economy. Postwar Chinese aid had already fallen from its peak 1974 level of $420-435 million to about $300 million annually (on less favorable repayment terms). Since 1975, Peking has been a reluctant benefactor compared with the Soviet Union and East European countries. Indeed, even the magnitude of Chinese aid in the past has been exaggerated—combined Chinese economic and military aid since 1955 probably totals only one-half of the $10 billion reported in recent press articles.

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Power, transport, and mining projects can easily be taken up by other aid donors. The Soviet Union already has large generating projects under way in Vietnam and has earmarked funds for the transport sector.

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Vietnam's 1976-80 five-year development plan focuses primarily on agriculture and only secondarily on industry. Chinese inputs to the agricultural sector were limited to the development of a dozen state farms and some small irrigation projects in the northern part of the country.

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[redacted]

Hanoi's failure to generate adequate postwar growth—GNP last year was only 3 percent above that of 1974—is not connected to inadequate aid receipts. The Soviet bloc will probably fill the Chinese aid vacuum, especially now that Vietnam has joined the Moscow-dominated Council for Mutual Economic Assistance (CEMA). Nonetheless, foreign capital cannot offset the economic and social disruption inherent in Hanoi's attempt to socialize the southern economy nor will foreign assistance remedy the shortage of skilled managers to carry out economic plans. [redacted]

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CHINA: OIL INDUSTRY NEEDS FOREIGN HELP

For the first time in Communist China's history, there is now a realistic chance Peking may seek direct foreign participation in the development of its oil industry. [redacted]

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Policy Considerations

Numerous ranking members of the post-Mao Chinese leadership apparently believe that without increased foreign help their oil industry will be hard pressed to meet foreign commitments and domestic demand over the medium term. They are leaning toward enlisting foreign investment, technology, and personnel to accelerate growth of production, especially offshore. Peking may, therefore, finally soften its policy of self-reliance enough to experiment with a few projects beyond the heretofore permissible limits for foreign help—equipment imports and ad hoc recruiting of lecturers and troubleshooters. However, any contractual arrangement with a foreign firm probably would be preceded by negotiations that are usually long, even for China, because it would be a precedent-breaking move.

Oil Industry Developments

Anxiety over oil supplies arises from the disappointing performance of the major oilfields since 1975 and the growing Chinese appreciation of how slowly offshore exploration will progress if China rigidly clings to its traditional policy of self-reliance. Annual increases in oil output, which typically exceeded 20 percent before 1975, declined to 13 percent in 1975 and 1976 and to only 8 percent last year. Although a Chinese version of a recession has restrained growth of oil consumption during the past two years, supplies have tightened so much that new regulations are going into effect to ration oil and to compel switchovers to coal wherever possible.

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In the ocean proper, as opposed to the shallow Pohai Gulf, China has drilled a small number of test wells along the southern coast and in the Yellow Sea. The Chinese have had the better part of a year to operate without help the four imported offshore platforms delivered to them during 1977. Their experience seems to have induced pessimism about the rate of progress in the continued absence of foreign help.

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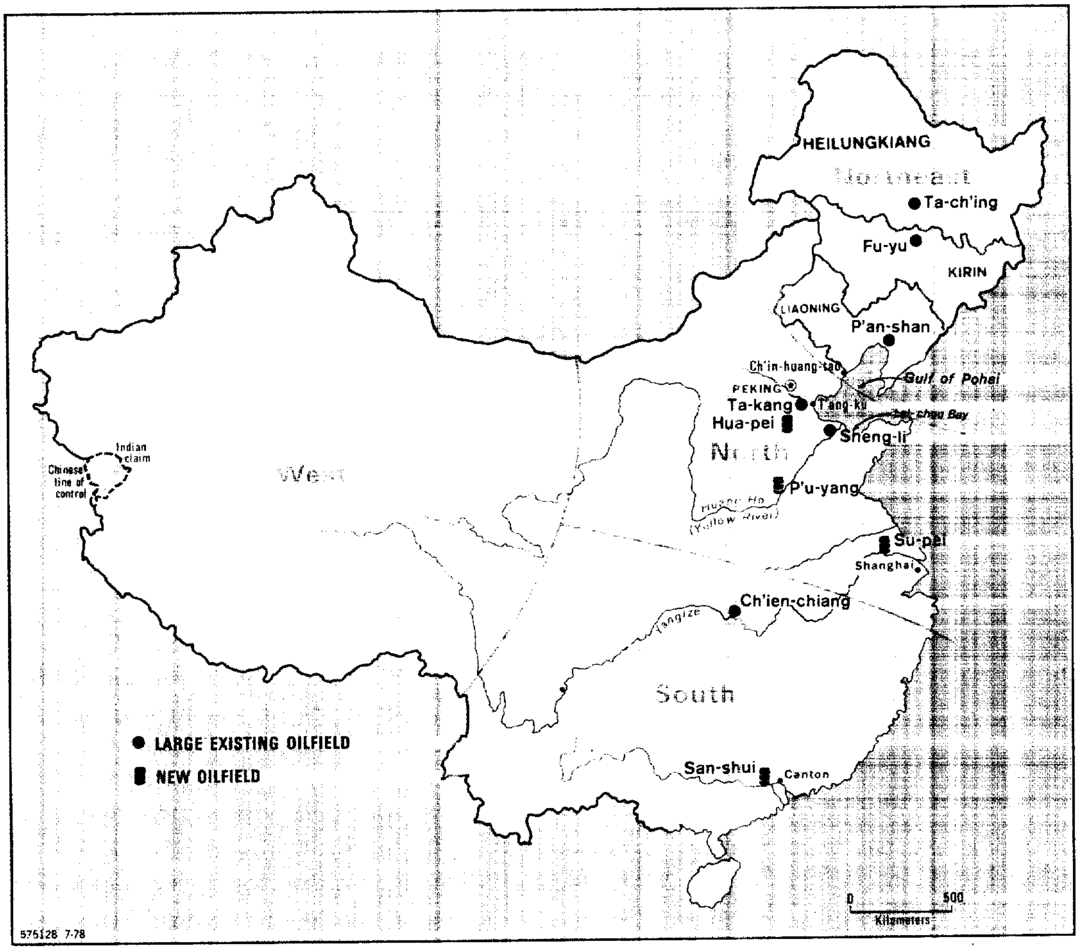
China: Selected Oilfields



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[redacted] 25X1

Foreign Participation

For many years, foreign oil firms have been proposing participation schemes to Peking. Chinese officials listened politely, but whatever the inclinations of the more pragmatic officials, the Chinese political atmosphere made acceptance of foreign participation in the oil industry impossible.

The present leadership, although noted for its relatively nonideological approach to economic planning, obviously feels that even imports of foreign technology, let alone active foreign participation in a strategic resource industry such as oil, demand explanation. In its official pronouncements, it has provided broad justification for any help it may choose to seek from abroad. It has now officially declared that science and technology do not have class natures and that importing advanced technology is "normal." [redacted]

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If barriers against foreign participation in the oil industry are lowered, however slightly or hesitatingly, it will probably first occur in offshore work. The investment outlays and technological problems for the Chinese are greatest there, and a foreign presence would be easiest to hide from the populace. Peking also needs help in onshore exploration and drilling; it will be a long time, however, before Peking acquiesces to large numbers of foreigners working in its industry. The leadership may adopt a more liberal attitude about temporarily admitting foreign technicians to install and break in new imported equipment, but that would probably be the limit of Peking's tolerance for some time. [redacted] 25X1

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Notes

Turkey-USSR, Trade and Aid To Expand

Turkish Prime Minister Bulent Ecevit's recent visit to the Soviet Union produced several draft agreements to expand Soviet-Turkish trade over the next three years and to barter oil for Turkish wheat and tungsten. Moscow also agreed to step up assistance to Turkey on previously outlined oil, steel, and aluminum projects. The agreements establish a framework for subsequent implementation without committing either side to hard numbers and deadlines, and they seem overly optimistic.

The new arrangements envision a near tripling of trade between now and 1981, from roughly $300 million to more than $800 million. Ankara would offer textiles and various manufactured goods in exchange for Soviet fertilizer, coking coal, iron ore, steel, and machinery. To avoid increasing its current account deficit and upsetting plans for restoring its credit rating with Western lenders, Turkey would have to reduce hard currency imports, presumably by substituting Soviet goods. Such a shift need not establish any permanent dependence on the Soviets since Turkey could reenter hard currency markets for the commodities being traded.

[redacted] 25X1

A final protocol elaborated Soviet technical assistance and equipment for oil prospecting, refinery construction, and steel and aluminum mill expansion. All of this aid would be provided under a credit extended in 1975 and raised to $1.2 billion earlier this year. Drawings are expected over at least 10 years. [redacted] 25X1

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USSR and Eastern Europe Crop Prospects

We currently estimate the USSR's 1978 grain crop at 215 million tons, up almost 20 million tons from the 1977 crop and only 5 million tons below the 1978 Plan. The estimate is the same as that released on 10 July by the US Department of Agriculture. Prospects for grain production in Eastern Europe also appear good, with a near record of 93 million tons now forecast. The outlook for other crops—especially potatoes and sugar beets—in both the USSR and Eastern Europe is less favorable.

Even with the improved Soviet harvest, Soviet grain purchases abroad in support of its livestock program could amount to 15 million tons for delivery during the October 1978-September 1979 marketing year. [redacted] 25X1

25X1 The Soviets must buy at least 6 million tons of corn and wheat annually from the United States over five years beginning 1 October 1976.

Brezhnev on Long-Term Grain Outlook

Meat production targets announced at a Central Committee plenum last week imply that the USSR will continue as a major grain importer in the first half of the 1980s. President Brezhnev's report on agriculture was the highlight of the two-day plenum. No new initiatives were announced, but the leadership is obviously concerned with agricultural performance. To keep the food problem from worsening, Brezhnev said that the 11th Five-Year Plan targets (1981-85) would have to be "rather high," with a top priority being given to meat production.

Brezhnev called for average annual grain output of 238 million to 243 million tons in 1981-85, roughly 15 million tons above CIA estimates of likely output. Achievement of the target would remove Moscow's present annual import requirement, which has averaged 15 million tons since 1972. Even if the 19.5-million-ton meat target for 1985 were achieved, meat shortages would continue unless consumer income growth slows or the regime reverses its long-standing policy of stable meat prices. [redacted] 25X1

Zaire's Mining Operations Reviving

Zaire's huge copper, cobalt, and zinc complex in Kolwezi—in the area of the 13 May invasion—is again operating at a remarkably high level despite the absence of some 450 expatriate specialists. [redacted] 25X1

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Zaire probably will not be able to go it alone for long without reintroduction of large numbers of expatriates [redacted] cadre now working at Kolwezi are under considerable strain to maintain operations and will not be able to cope with on-going maintenance requirements. Serious breakdowns in the complicated processing and refining operations should be expected before yearend unless expatriates return in considerable numbers. [redacted]

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EC Summit Produces No Surprises

EC leaders covered all the issues likely to arise at the Bonn summit in their two-day meeting in Bremen last week. While the Nine agreed on the need to promote more rapid economic growth, no specific measures were recommended. West Germany continued to reject EC Commission calls for further economic stimulation despite growing evidence that Schmidt will announce a reflation package at the Bonn summit. Paris agreed to participate in a coordinated program only if other non-EC industrialized countries follow suit.

No new initiatives on trade or North/South issues were announced. Although West Germany wanted a strong statement for successful conclusion of the Multilateral Trade Negotiations, the Community called only for "... substantial and balanced results at the MTN." The Nine reaffirmed their will to balance interests between North and South and to continue negotiations on a common fund and individual commodity agreements.

In the energy sphere, the Nine agreed to a general set of 1985 objectives, none of which is binding.

Monetary discussions dominated the meeting. The Nine agreed to study the Schmidt-Giscard plan for European monetary cooperation. Both Britain and Italy, however, emphasized that their agreement to undertake such a study did not imply any commitment to the guidelines. Prime Minister Callaghan fears the deflationary impact of such a plan, and the Italians are in no hurry to see the lira strengthen. The guidelines call for:

- Enlarging the present snake arrangement to include all EC currencies; membership, however, would not be obligatory.

- Providing a transitional period for new participants that would permit wider margins of fluctuation than in the present snake.

- Using snake currencies instead of dollars for intervention to support the snake.

- Creating a new European currency unit to be used by EC central banks for settling intra-EC accounts and providing short-term credit for support operations; this currency unit will be backed by pooling a portion of snake country reserves.

- Permitting non-EC countries to become associate members of the system.

- Requiring all snake participants to coordinate their exchange rate policy toward third countries.

Schmidt and Giscard hope a system can be in place by January 1979.

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Secret

National
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Assessment
Center

Economic Indicators Weekly Review

13 July 1978

ER EI 78-028
13 July 1978

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FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

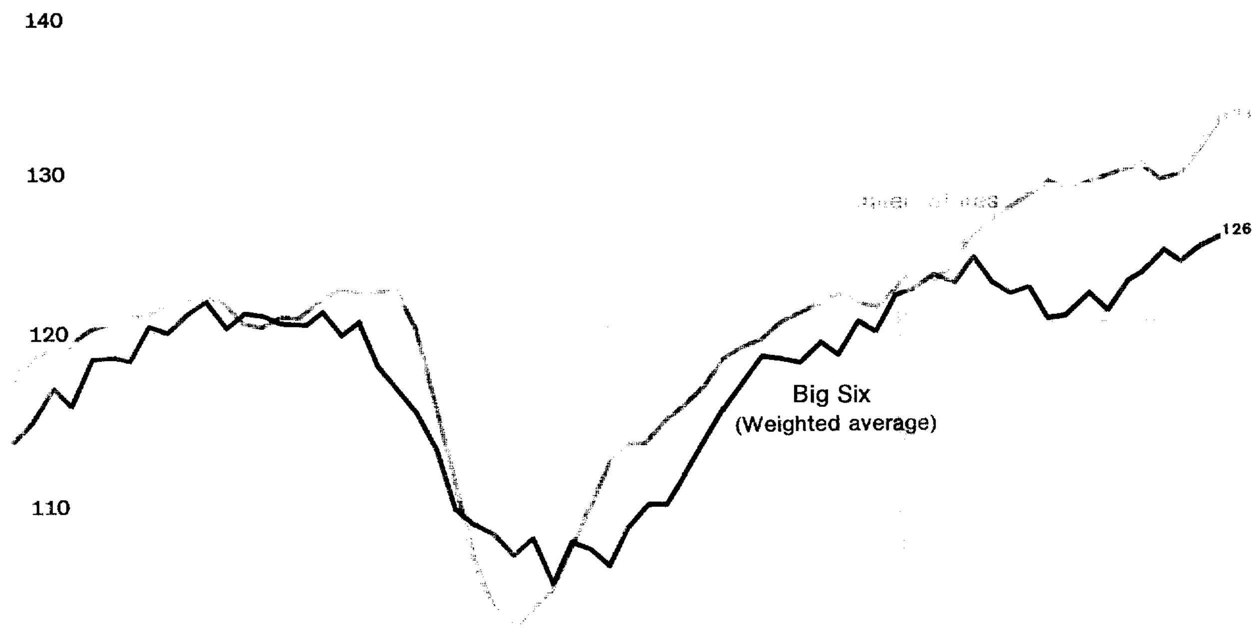
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

BIG SIX FOREIGN COUNTRIES[1] COMPOSITE INDICATORS

Industrial Production

INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



Unemployment Rate

Percent

Note: Excluding data for Italy.

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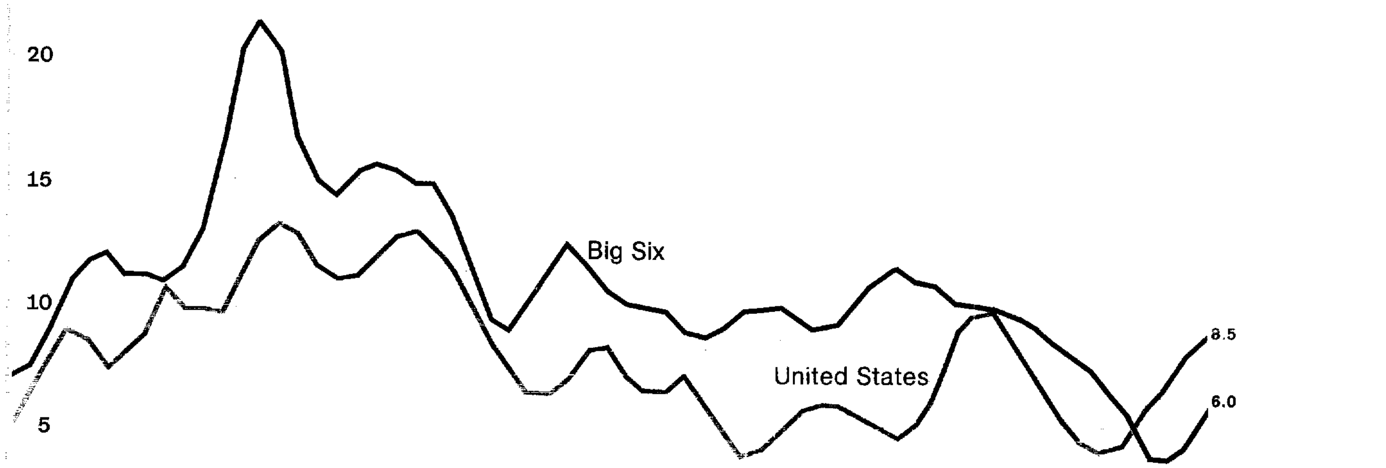
1973 1974 1975 1976 1977 1978

[1]Including Japan, West Germany, France, the United Kingdom, Italy, and Canada.

Consumer Price Inflation

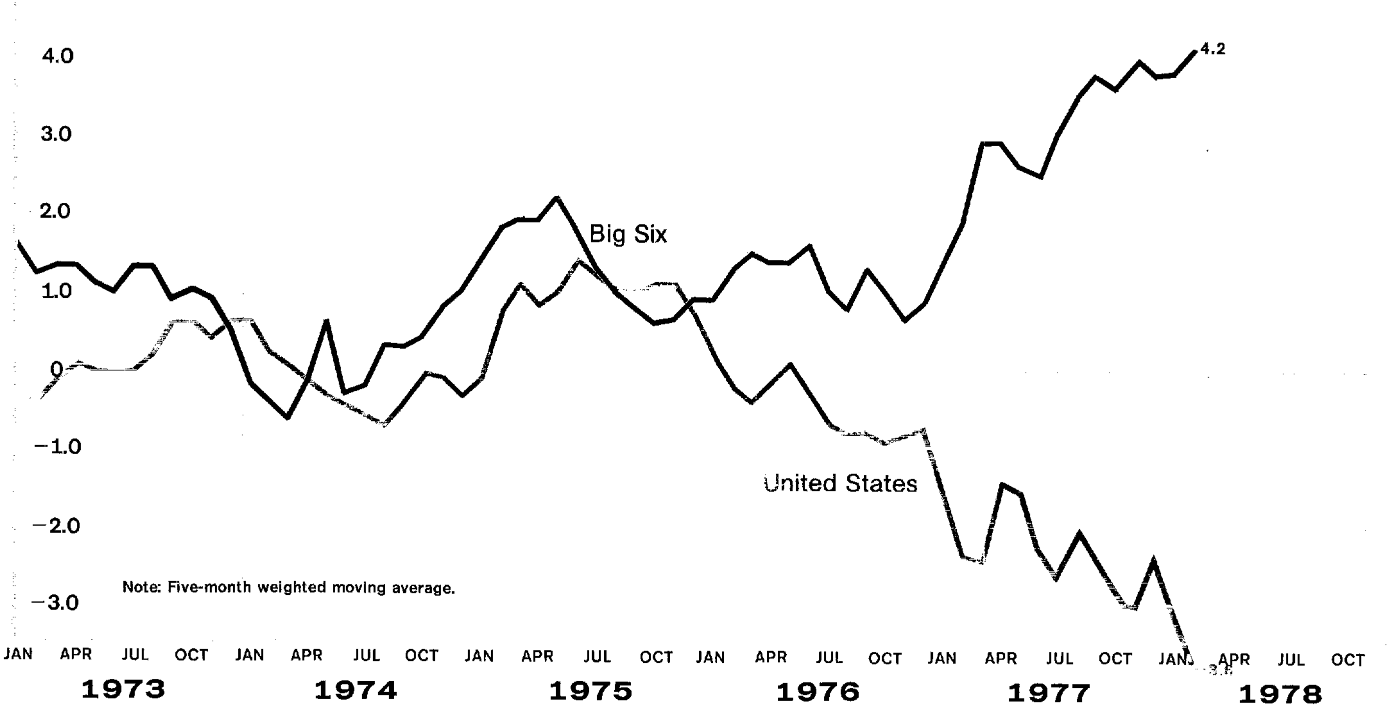
Percent, seasonally adjusted, annual rate



Note: Three-month average compared with previous three months.

Trade Balance

Billion US $, f.o.b., seasonally adjusted



Note: Five-month weighted moving average.

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[2]
Industrial Production					
Big Six	Apr 78	0.5	3.0	2.9	4.2
United States	APR 78	1 4	3.7	5.0	5.1
Consumer Prices					
Big Six	APR 78	0.3	9.2	6.5	6.0
United States	APR 78	0.9	6.6	6.6	8.5

	LATEST MONTH		1 Year Earlier	3 Months Earlier
Unemployment Rate				
Big Five	APR 78	4.3	4.2	4.2
United States	APR 78	6.0	7.1	6.3

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	Change
Trade Balance					
Big Six	FEB 78	5,140	7,790	3,178	4,612
United States	FEB 78	−4,518	−6,884	−3,495	−3,389

[2]Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

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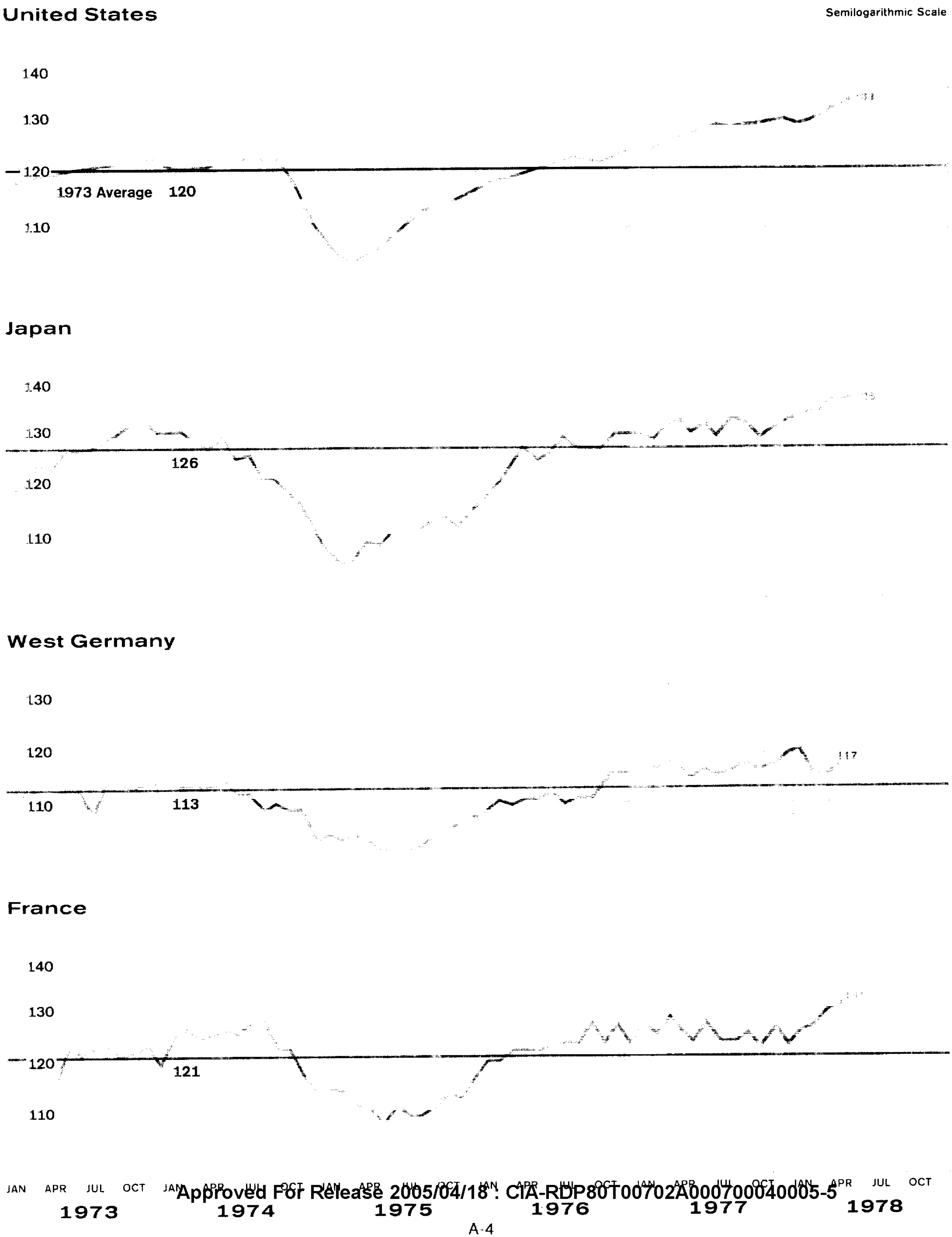
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted



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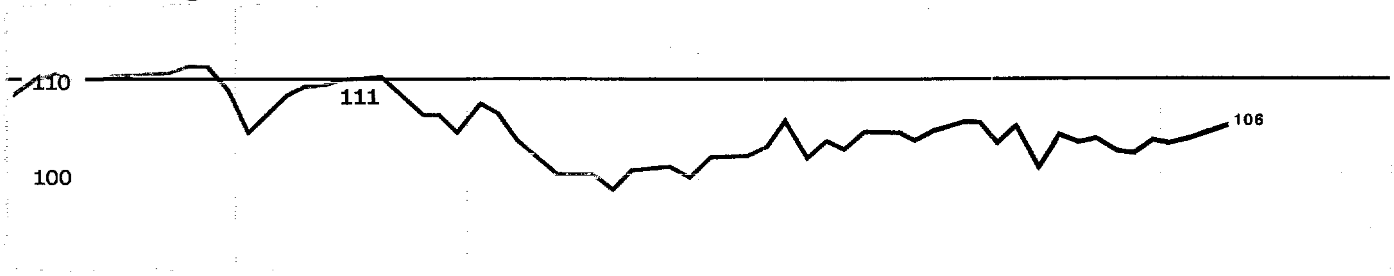
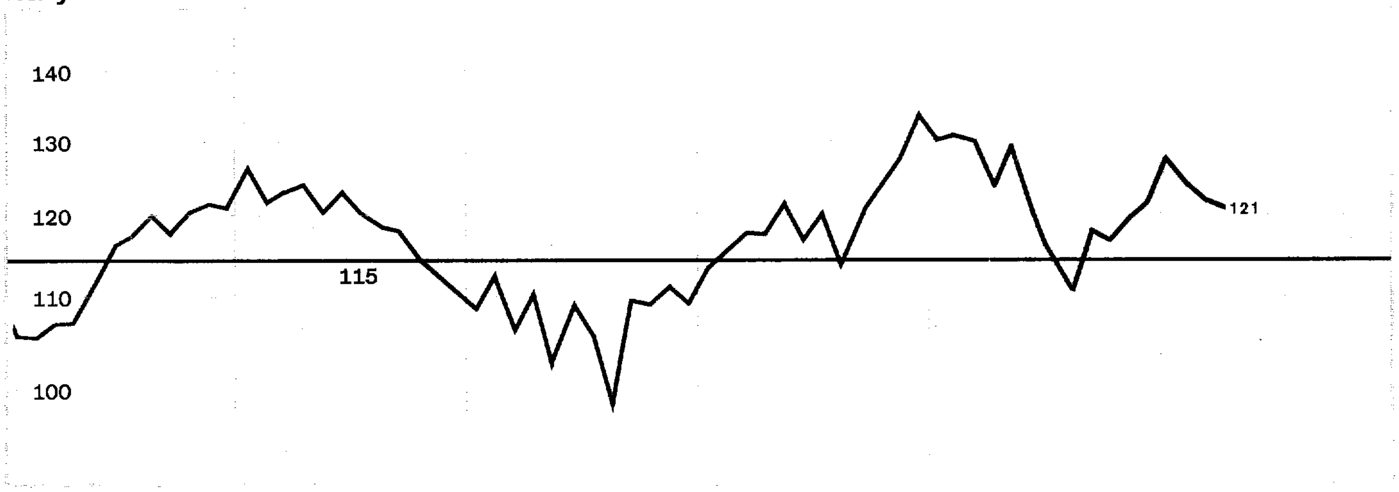
United Kingdom

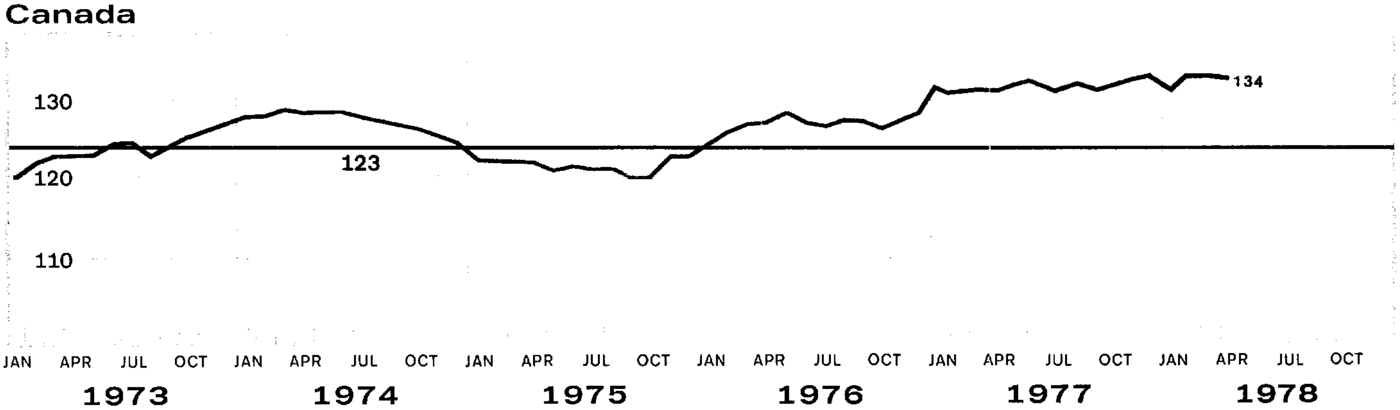
Semilogarithmic Scale



Italy



Canada



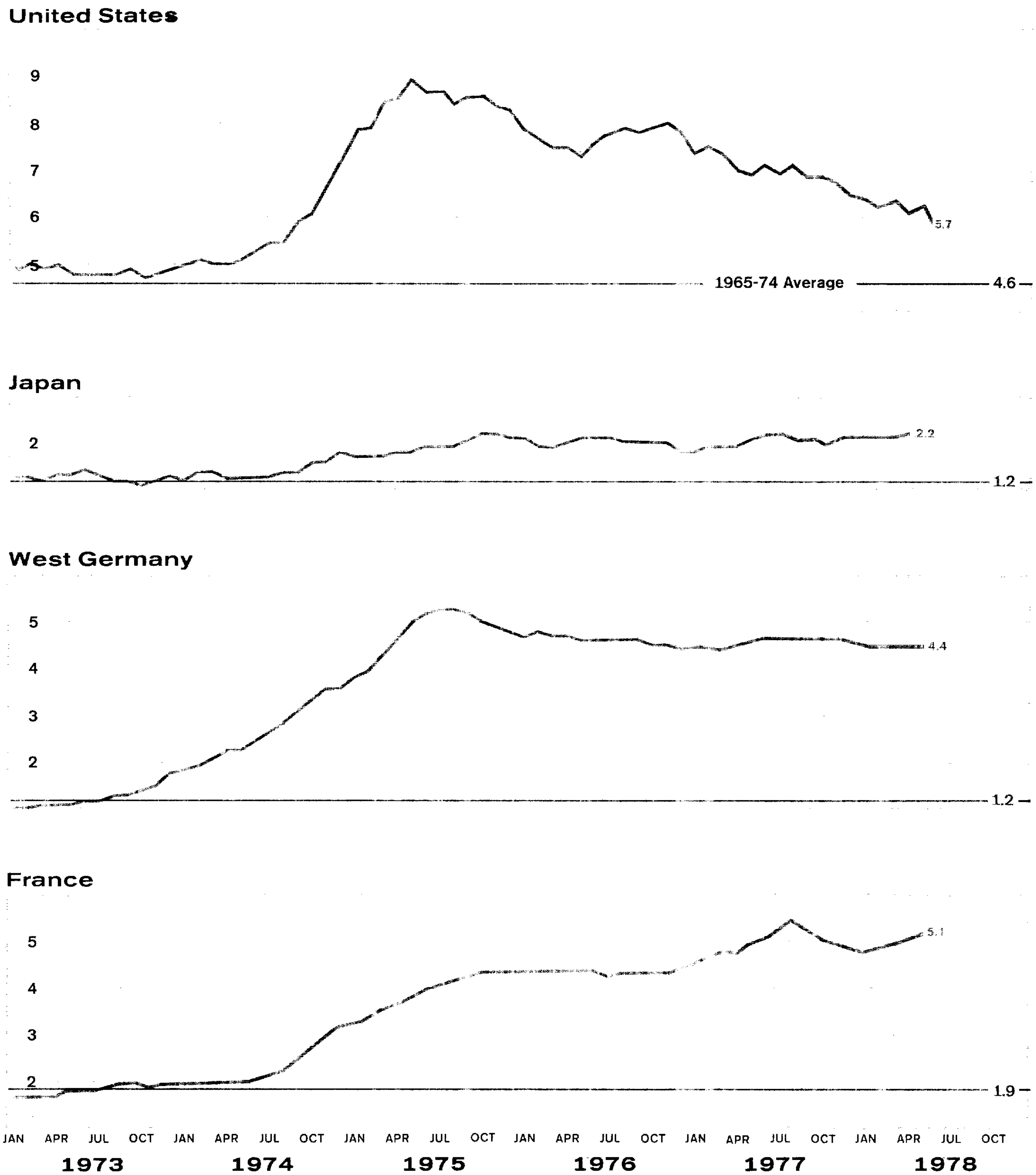
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United States	MAY 78	0.6	3.7	4.9	9.7
Japan	MAY 78	0.3	4.0	6.7	11.4
West Germany	APR 78	1.7	2.0	0.9	-8.7
France	APR 78	0.8	3.5	4.8	13.4
United Kingdom	APR 78	1.0	0.7	1.9	6.1
Italy	APR 78	−1.4	2.5	−2.4	−2.0
Canada	APR 78	−0.2	3.8	2.1	3.7

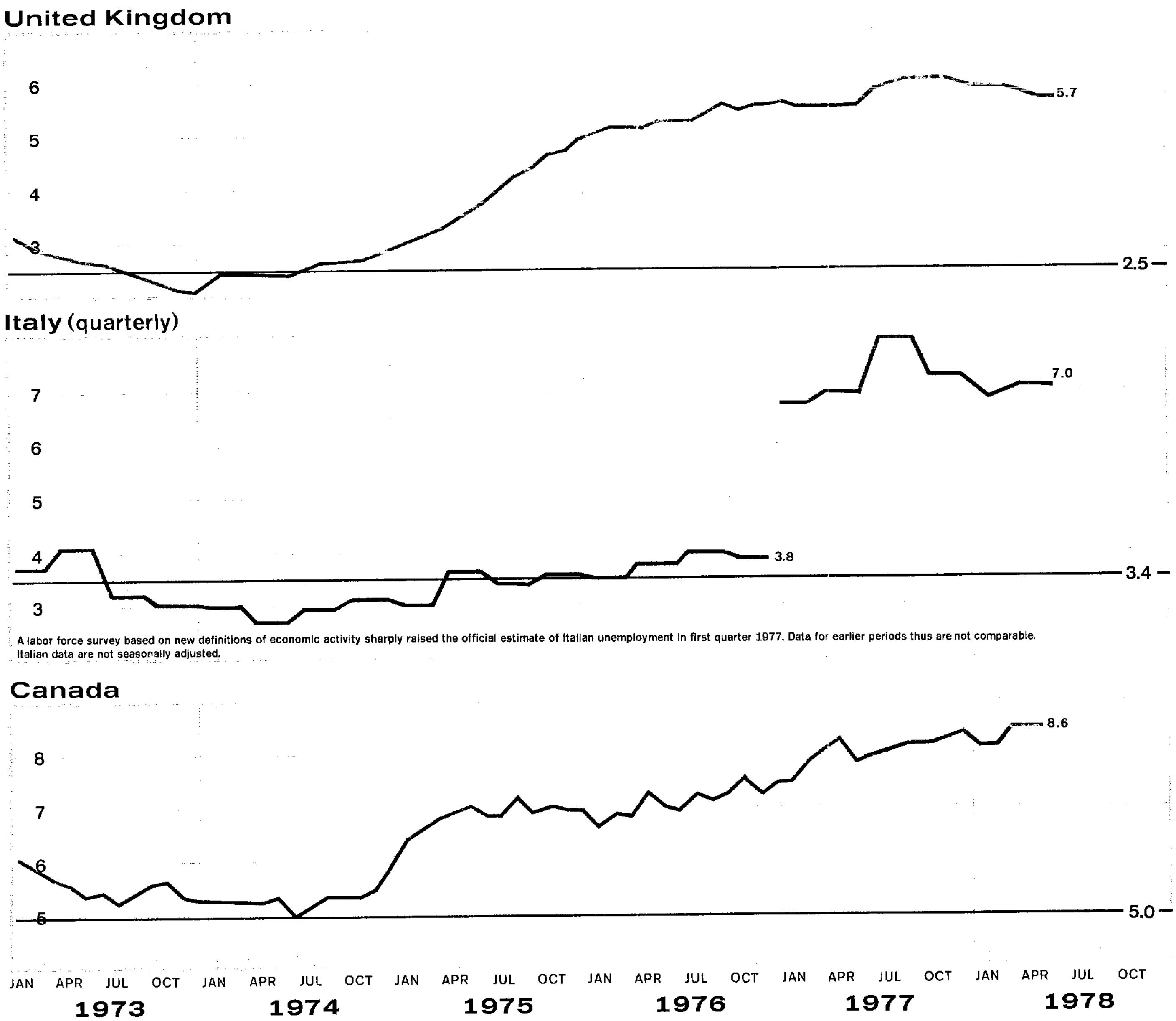
576498 6-78

[1]Average for latest 3 months compared with average for previous 3 months.

UNEMPLOYMENT RATE

PERCENT





THOUSANDS OF PERSONS UNEMPLOYED

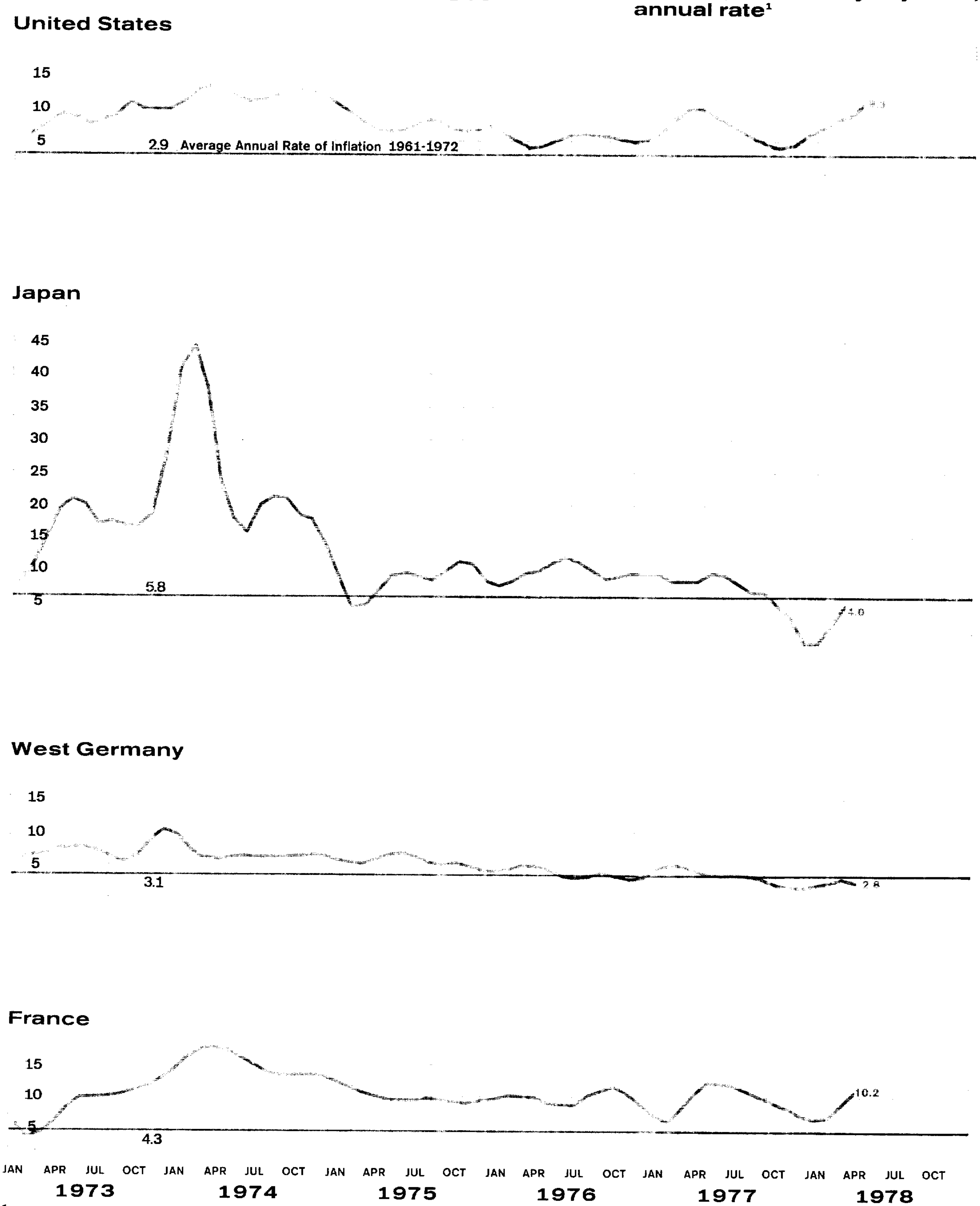
	LATEST MONTH		1 Year Earlier	3 Months Earlier
United States	JUN 78	5,754	6,904	6,148
Japan	APR 78	1,220	1,020	1,130
West Germany	MAY 78	997	1,040	1,012
France	MAY 78	1,113	1,066	1,042
United Kingdom	JUN 78	1,365	1,353	1,400
Italy	II 78	1,455	1,432	1,520
Canada	MAY 78	949	840	901

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.

576570 7-78

CONSUMER PRICE INFLATION

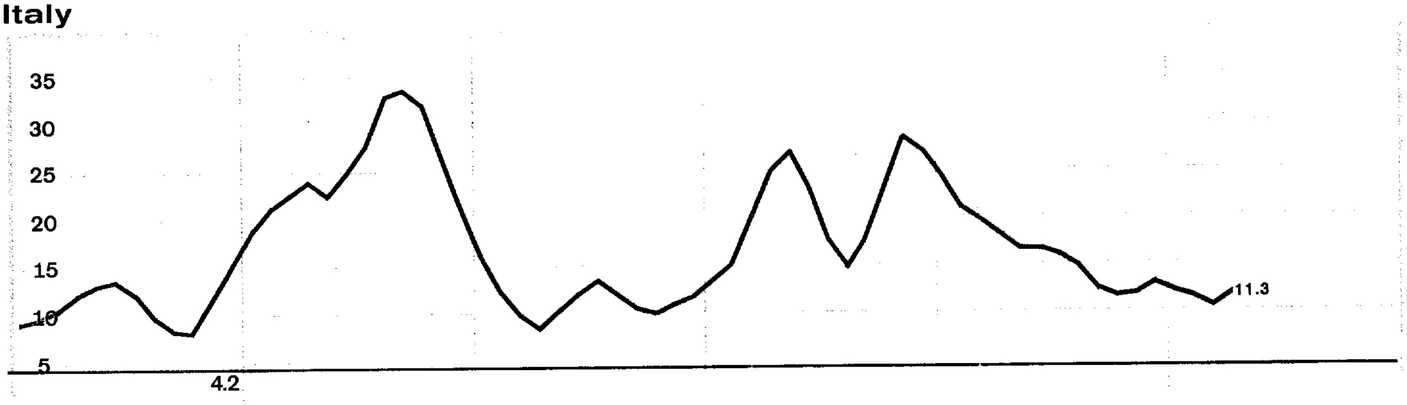
Percent, seasonally adjusted, annual rate[1]



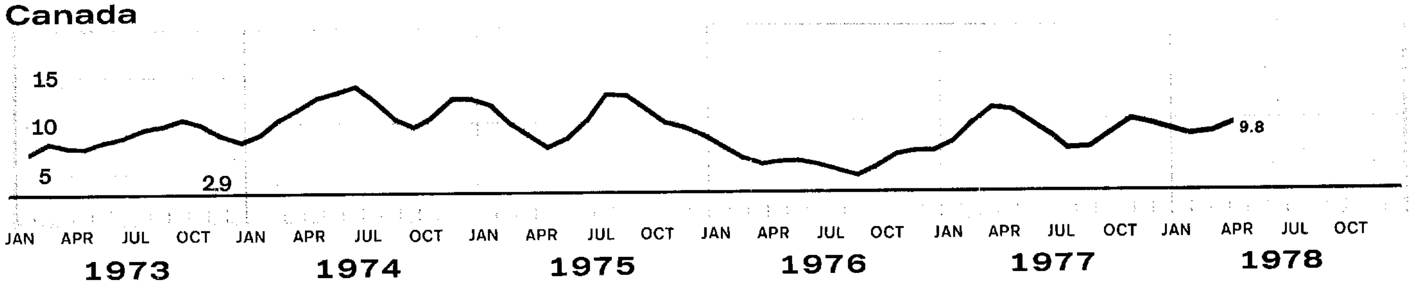
[1]Three-month average compared with previous three months.

United Kingdom

Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[2]
United States	MAY 78	0.8	6.7	7.0	9.9
Japan	APR 78	−0.1	9.8	3.9	4.0
West Germany	MAY 78	0.2	5.3	2.7	2.8
France	MAY 78	1.0	9.0	9.1	10.2
United Kingdom	MAY 78	0.4	13.2	7.7	6.0
Italy	MAY 78	1.2	13.1	12.3	11.3
Canada	MAY 78	1.2	7.7	9.0	9.8

576569 7-78

[2]Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

GNP [1]

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	78 I	0	3.1	3.8	0
Japan	78 I	2.4	5.5	5.7	10.0
West Germany	78 I	0.1	2.4	1.1	0.4
France	77 IV	1.4	3.8	3.4	5.8
United Kingdom	77 IV	−0.5	1.6	−1.1	−1.9
Italy	77 IV	−3.7	1.7	−5.9	−13.9
Canada	78 I	0.7	4.7	2.8	2.7

[1] Seasonally adjusted.

RETAIL SALES

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	May 78	−0.9	3.1	1.9	5.5
Japan	Jan 78	2.9	9.2	1.0	−2.8
West Germany	Apr 78	−0.8	2.5	7.0	−7.3
France	Jan 78	9.9	0	1.0	10.5
United Kingdom	May 78	1.6	1.2	5.0	4.5
Italy	Feb 78	1.3	2.8	2.1	5.9
Canada	Apr 78	2.0	4.2	3.0	5.9

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

FIXED INVESTMENT [1]

Nonresidential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	78 I	1.0	2.2	4.7	4.1
Japan	78 I	0.9	1.1	−0.4	3.6
West Germany	78 I	−0.5	0.7	1.6	−2.1
France	77 IV	0.8	4.0	4.7	3.3
United Kingdom	77 IV	−1.5	1.3	4.1	−5.9
Italy	78 I	5.3	1.7	−11.4	22.7
Canada	78 I	−3.7	4.8	−12.7	−14.1

[1] Seasonally adjusted.

WAGES IN MANUFACTURING [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Jun 78	0.5	7.6	7.6	7.2
Japan	Jan 78	1.2	16.3	9.4	4.7
West Germany	78 I	0.9	8.9	4.3	3.9
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	Jan 78	0.5	14.7	3.3	2.7
Italy	Apr 78	0	20.1	17.4	13.4
Canada	Apr 78	−0.1	10.9	7.7	6.8

[1] Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.
[2] Average for latest 3 months compared with that for previous 3 months.

MONEY MARKET RATES

	Representative rates	Latest Date		Percent Rate of Interest: 1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Commercial paper	Jun 28	7.75	5.39	6.80	7.19
Japan	Call money	Jun 30	4.38	5.63	4.12	4.12
West Germany	Interbank loans (3 months)	Jun 28	3.66	4.22	3.52	3.62
France	Call money	Jun 30	7.88	8.75	8.62	7.88
United Kingdom	Sterling interbank loans (3 months)	Jun 28	10.05	7.78	6.73	9.14
Canada	Finance paper	Jun 28	8.04	7.12	7.78	8.13
Eurodollars	Three-month deposits	Jun 28	8.65	5.80	7.40	8.02

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Mar 78	−0.1	9.3	3.8	7.6
Japan	May 78	1.1	12.2	23.6	45.4
West Germany	Apr 78	−0.9	11.8	13.3	8.6
France	Apr 78	3.4	12.1	17.9	36.2
United Kingdom	May 78	0.6	11.4	15.6	−10.8
Italy	Oct 77	−0.6	10.9	12.7	0.2
Canada	Mar 78	12.8	10.1	14.7	62.2

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Mar 78	−0.1	9.3	3.8	7.6
Japan	May 78	3.1	5.8	0.7	14.3
West Germany	Apr 78	−0.7	3.7	−2.3	−6.1
France	Apr 78	0.9	9.4	8.9	21.0
United Kingdom	May 78	2.0	15.4	9.3	15.6
Italy	Oct 77	−0.9	16.3	16.0	−0.7
Canada	Mar 78	1.3	9.4	9.1	11.9

IMPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Mar 78	2.0	13.1	7.8	27.5
Japan	May 78	5.3	7.1	−17.0	−12.3
West Germany	Apr 78	−3.1	3.1	−6.3	−11.1
France	Apr 78	−2.2	9.3	0.2	−1.6
United Kingdom	May 78	1.0	17.6	2.6	14.2
Italy	Dec 77	−0.7	19.5	9.7	−13.1
Canada	Mar 78	−2.7	8.8	10.2	3.5

OFFICIAL RESERVES

	Latest Month End of	Billion US $	Billion US $ Jun 1970	1 Year Earlier	3 Months Earlier
United States	Apr 78	18.8	14.5	18.9	19.5
Japan	May 78	27.7	4.1	17.3	24.2
West Germany	May 78	40.0	8.8	34.8	41.9
France	Apr 78	10.6	4.4	10.0	0.1
United Kingdom	Apr 78	17.7	2.8	10.2	21.4
Italy	Mar 78	10.6	4.7	6.4	11.6
Canada	May 78	4.7	9.1	5.2	3.7

CURRENT ACCOUNT BALANCE [1]

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States [2]	78 I	−6,954	−20,115	−1,430	−18,685
Japan	May 78	750	11,112	3,680	7,432
West Germany	May 78	285	3,584	2,659	926
France	78 I	0	−3,179	−5,721	2,541
United Kingdom	77 IV	682	−14	−2,172	2,157
Italy	77 III	2,390	1,629	−2,028	3,657
Canada	78 I	−1,417	−4,020	−4,230	210

[1] Converted to US dollars at the current market rates of exchange.
[2] Seasonally adjusted.

BASIC BALANCE [1]
Current Account and Long-Term Capital Transactions

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States	No longer published [2]				
Japan	May 78	−700	7,876	2,696	5,180
West Germany	Apr 78	247	−1,648	2,472	−4,120
France	78 I	−1	−3,218	−6,842	3,624
United Kingdom	77 IV	1,389	5,353	−2,254	7,607
Italy	77 III	2,520	2,128	−2,083	4,211
Canada	78 I	−744	84	3,751	−3,667

[1] Converted to US dollars at the current market rates of exchange.
[2] As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES

Spot Rate
As of 30 Jun 78

	US $ Per Unit	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	23 Jun 78
Japan (yen)	0.0049	28.58	32.88	7.19	2.47
West Germany (Deutsche mark)	0.4825	36.26	13.56	−2.70	0.27
France (franc)	0.2219	0.66	9.56	0.97	1.25
United Kingdom (pound sterling)	1.8595	−24.44	8.13	−0.78	0.70
Italy (lira)	0.0012	−33.90	3.54	−0.43	0.26
Canada (dollar)	0.8906	−10.73	−5.51	1.55	0.15

TRADE-WEIGHTED EXCHANGE RATES [1]

As of 30 Jun 78

	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	23 Jun 78
United States	−1.11	−6.77	−1.46	−0.73
Japan	33.44	30.20	7.33	2.28
West Germany	30.59	4.82	−1.75	−0.13
France	−7.62	−0.32	2.68	0.98
United Kingdom	−29.51	1.33	−0.24	0.33
Italy	−41.81	−5.54	0.59	−0.21
Canada	−11.15	−8.14	1.31	−0.07

[1] Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

Developed Countries: Direction of Trade [1]

Billion US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com- munist	Other	World	Big Seven	Other OECD	OPEC	Com- munist	Other
UNITED STATES												
1975	107.65	46.94	16.25	10.77	3.37	29.82	103.42	49.81	8.83	18.70	0.98	25.08
1976	115.01	51.30	17.68	12.57	3.64	29.44	129.57	60.39	9.75	27.17	1.16	31.09
1977	120.17	53.92	18.53	14.02	2.72	30.98	156.70	70.48	11.08	35.45	1.22	38.47
1st Qtr	29.46	13.75	4.73	3.13	0.86	6.99	37.37	16.07	2.76	8.97	0.30	9.27
2d Qtr	31.67	14.39	4.81	3.69	0.71	8.07	40.45	18.14	2.77	9.31	0.35	9.88
3d Qtr	28.75	12.23	4.39	3.58	0.47	8.08	39.50	17.73	2.78	8.92	0.32	9.75
4th Qtr	30.29	13.55	4.60	3.62	0.68	7.84	39.38	18.54	2.77	8.25	0.25	9.57
JAPAN												
1975	55.73	16.56	6.07	8.42	5.16	15.87	57.85	16.93	6.08	19.40	3.36	12.05
1976	67.32	22.61	8.59	9.27	4.93	17.84	64.89	17.58	7.78	21.88	2.91	14.72
1977	81.11	28.02	9.73	12.03	5.32	26.01	71.33	18.87	7.93	24.33	3.41	16.79
1st Qtr	17.89	5.89	2.45	2.46	1.36	5.73	17.44	4.72	1.84	6.24	0.79	3.85
2d Qtr	19.73	6.73	2.41	2.91	1.19	6.49	17.88	4.88	2.10	5.74	0.86	4.30
3d Qtr	20.63	7.40	2.47	3.05	1.33	6.38	17.63	4.68	1.84	5.88	0.84	4.39
4th Qtr	22.86	8.00	2.40	3.61	1.44	7.41	18.38	4.59	2.15	6.47	0.92	4.25
1978												
Jan	5.66	2.18	0.65	0.78	0.29	1.76	6.00	1.57	0.73	2.14	0.27	1.29
WEST GERMANY												
1975	91.70	28.33	36.44	6.78	8.81	11.05	76.28	27.09	27.78	8.24	4.87	8.21
1976	103.63	33.44	41.86	8.25	8.72	11.04	89.68	31.28	32.64	9.73	5.93	10.01
1977	119.28	39.01	48.00	10.78	8.59	12.90	102.63	36.38	37.37	10.12	6.14	12.62
1st Qtr	28.19	9.28	11.62	2.31	2.11	2.87	24.45	8.46	8.85	2.58	1.42	3.14
2d Qtr	29.20	9.59	11.79	2.69	2.07	3.06	25.21	9.09	9.04	2.43	1.54	3.11
3d Qtr	28.75	9.20	11.45	2.71	2.26	3.13	25.27	8.99	8.97	2.54	1.65	3.12
4th Qtr	33.14	10.94	13.14	3.07	2.15	3.84	27.70	9.84	10.51	2.57	1.53	3.25
FRANCE												
1975	52.87	20.00	15.50	4.90	3.13	8.61	53.99	23.04	14.33	9.43	1.94	5.21
1976	57.05	22.49	16.15	5.08	3.23	8.75	64.38	27.81	16.93	11.36	2.24	6.01
1977	65.00	25.90	18.19	5.97	3.00	11.94	70.50	30.28	18.24	11.82	2.46	7.70
1st Qtr	15.68	6.25	4.55	1.40	0.75	2.73	17.89	7.50	4.84	3.06	0.52	1.97
2d Qtr	16.69	6.60	4.79	1.57	0.83	2.90	17.96	7.84	4.71	2.65	0.61	2.15
3d Qtr	14.75	6.02	4.08	1.32	0.67	2.66	16.14	6.99	3.85	2.87	0.62	1.81
4th Qtr	17.88	7.03	4.77	1.68	0.75	3.65	18.51	7.95	4.84	3.24	0.71	1.77
1978												
Jan	5.49	2.21	1.49	0.52	0.19	1.08	6.29	2.69	1.71	1.00	0.21	0.68
UNITED KINGDOM												
1975	44.03	12.55	16.59	4.55	1.56	8.64	53.35	18.47	18.52	6.91	1.68	7.67
1976	46.12	14.03	17.53	5.13	1.39	7.92	55.56	19.66	18.81	7.29	2.08	7.65
1977	57.44	16.99	22.56	6.78	1.63	9.48	63.29	24.02	21.34	6.31	2.40	9.22
1st Qtr	13.14	4.02	5.16	1.51	0.35	2.10	15.45	5.80	5.12	1.78	0.49	2.26
2d Qtr	14.35	4.20	5.72	1.69	0.44	2.30	16.52	6.02	5.73	1.70	0.58	2.49
3d Qtr	14.59	4.47	5.55	1.75	0.46	2.36	15.20	6.05	4.74	1.44	0.66	2.31
4th Qtr	15.36	4.30	6.13	1.83	0.38	2.72	16.12	6.15	5.75	1.39	0.67	2.16
1978												
Jan	5.22	1.58	1.92	0.68	0.14	0.90	6.27	2.42	2.27	0.64	0.18	0.76
ITALY												
1975	34.82	15.61	7.86	3.72	2.46	4.67	38.36	17.32	6.75	7.85	2.09	4.34
1976	36.96	17.41	8.69	4.23	2.18	3.96	43.42	19.35	8.04	8.12	2.65	5.24
1977												
1st Qtr	9.80	4.56	2.30	1.26	0.53	1.15	11.37	5.00	2.14	2.18	0.60	1.45
2d Qtr	11.47	5.33	2.61	1.51	0.60	1.42	12.49	5.51	2.24	2.50	0.64	1.60
3d Qtr	10.93	5.01	2.51	1.41	0.63	1.37	10.55	4.39	1.80	2.10	0.73	1.53
Oct & Nov	7.73	3.68	1.66	0.99	0.40	1.00	7.97	3.52	1.48	1.34	0.53	1.10

Approved For Release 2005/04/18 : CIA-RDP80T00702A000700040005-5

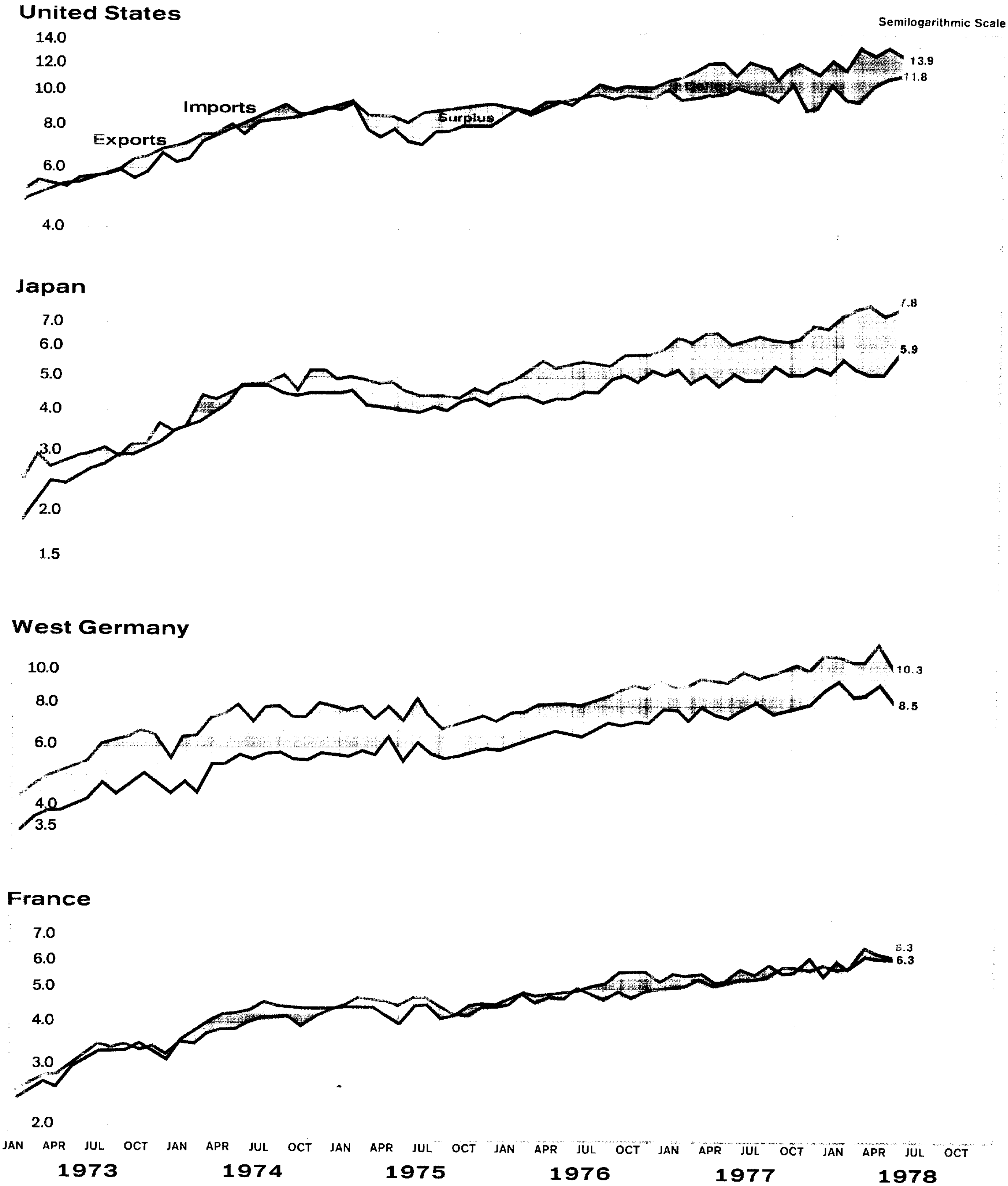
Developed Countries: Direction of Trade[1]
(Continued)

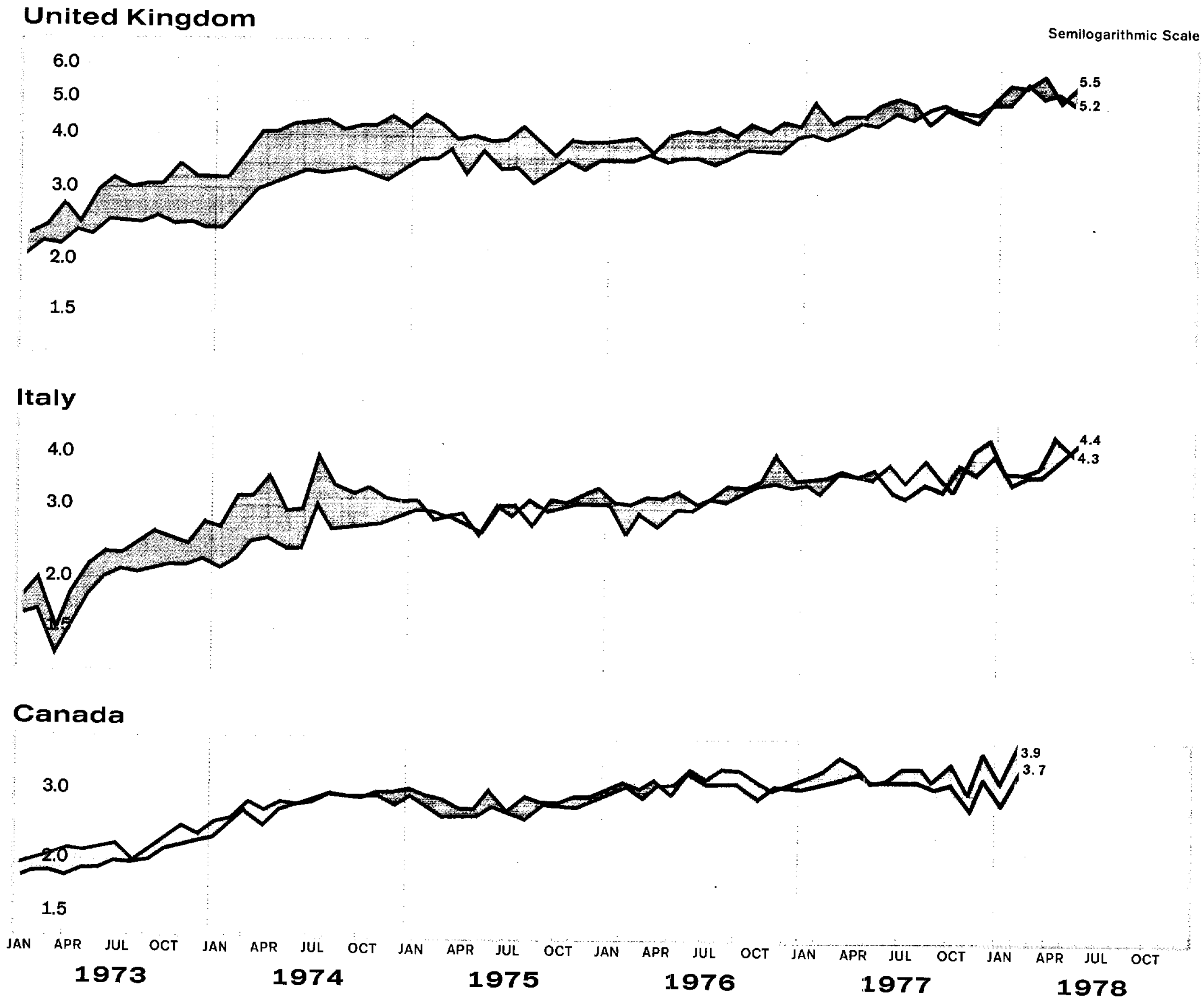
Billion US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other
CANADA												
1975	33.84	26.30	1.73	0.71	1.20	2.00	38.59	29.78	1.70	3.43	0.32	2.02
1976	40.18	32.01	2.03	0.81	1.25	2.09	43.05	33.55	1.82	3.48	0.38	2.56
1977	42.98	34.77	2.13	0.94	1.06	4.08	44.67	35.67	1.77	3.05	0.33	3.85
1st Qtr	10.35	8.37	0.53	0.23	0.22	1.00	10.92	8.64	0.43	0.82	0.09	0.94
2d Qtr	11.34	9.23	0.54	0.24	0.29	1.04	12.28	9.92	0.47	0.74	0.10	1.05
3d Qtr	10.25	8.12	0.54	0.23	0.29	1.07	10.38	8.17	0.43	0.82	0.07	0.89
4th Qtr	11.04	9.05	0.52	0.24	0.26	0.97	11.09	8.94	0.44	0.67	0.07	0.97

[1] Source: International Monetary Fund, Direction of Trade.

FOREIGN TRADE BILLION US $, f.o.b., seasonally adjusted





	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	CHANGE
United States	MAY 78	11,754	54,237	50,167	8.1%
		13,992	69,009	58,447	18.1%
	Balance	-2,238	-14,771	-8,280	-6,491
Japan	MAY 78	7,848	39,330	32,397	21.4%
		5,940	27,515	25,370	8.5%
	Balance	1,907	11,815	7,027	4,787
West Germany	MAY 78	10,313	55,032	46,735	17.8%
		8,522	45,808	38,606	18.7%
	Balance	1,791	9,224	8,128	1,096
France	MAY 78	6,342	31,008	25,833	20.0%
		6,321	30,973	27,033	14.6%
	Balance	21	35	-1,200	1,235

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	CHANGE
United Kingdom	MAY 78	5,231	27,077	21,791	24.3%
		5,538	27,973	24,164	15.8%
	Balance	-307	-896	-2,372	1,476
Italy	MAY 78	4,276	20,326	17,623	15.3%
		4,358	19,313	18,630	3.7%
	Balance	-82	1,013	-1,008	2,021
Canada	FEB 78	3,946	7,175	6,761	6.1%
		3,710	6,680	6,509	2.6%
	Balance	235	495	252	243

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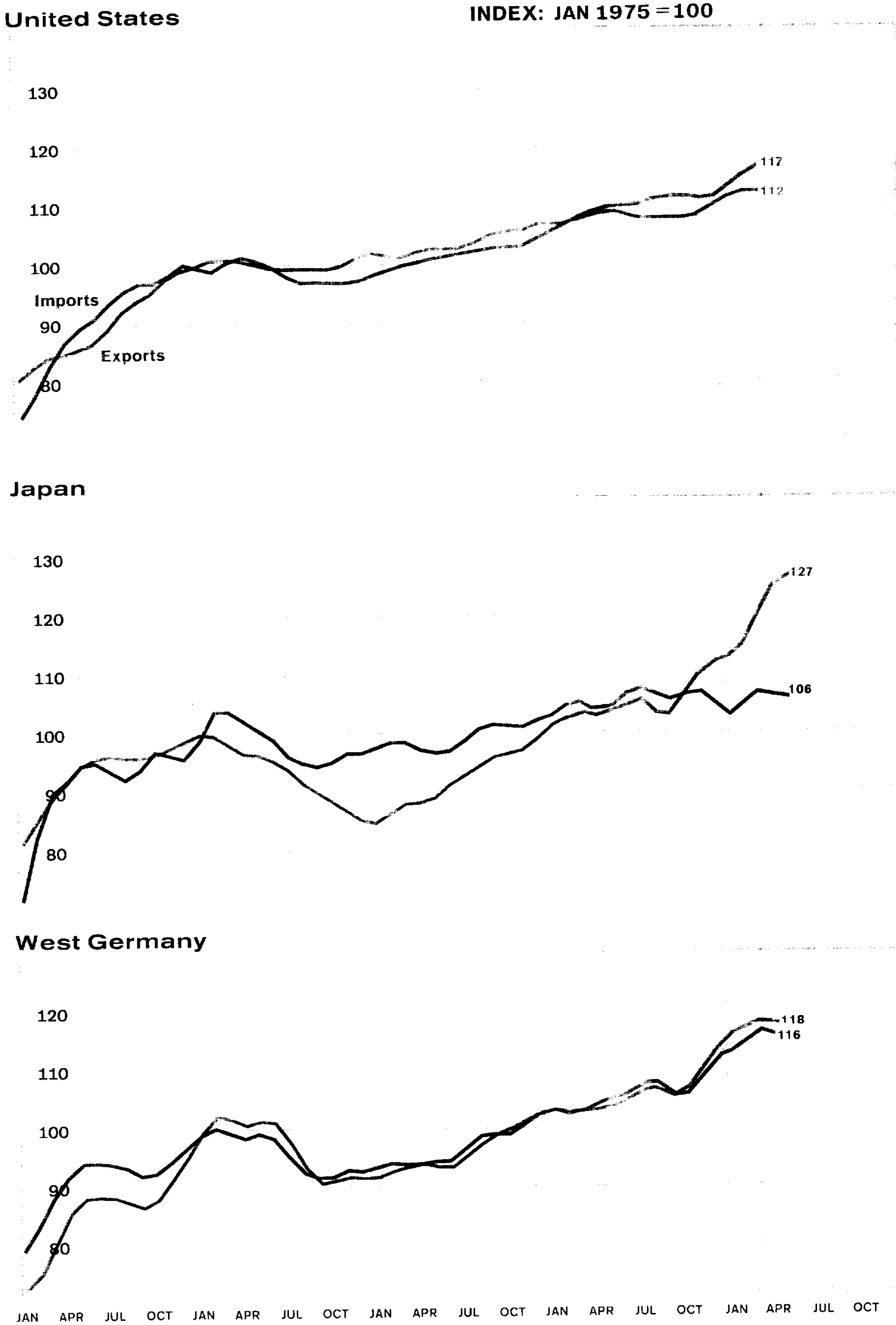
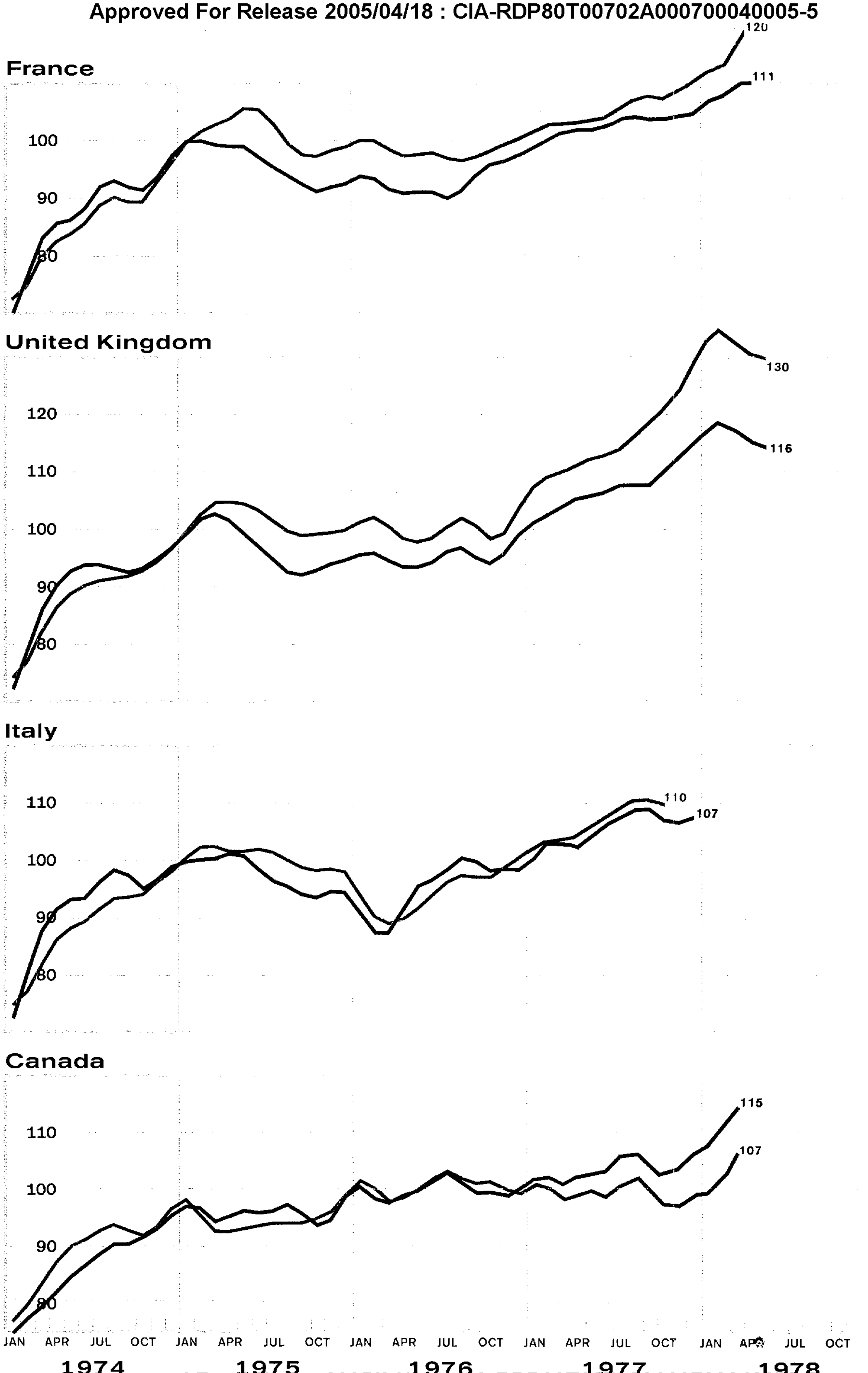
FOREIGN TRADE PRICES IN US $[1]



[1]Export and import plots are based on five-month weighted moving averages.



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576584 7-78

SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
India	Dec 77	3.3	4.7	4.6	2.5
South Korea	Mar 78	5.8	22.7	26.8	16.9
Mexico	Feb 78	1.4	5.9	11.2	3.3
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Apr 78	1.5	15.3	17.4	−2.0

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY [1]

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
Brazil	Jan 78	4.2	36.6	44.5	19.9
India	Dec 77	1.0	13.8	13.6	26.1
Iran	Feb 78	0.8	28.1	27.7	30.3
South Korea	Mar 78	0.9	31.7	38.8	32.2
Mexico	Mar 78	3.0	20.5	30.5	40.3
Nigeria	Apr 77	−2.3	36.9	47.5	99.7
Taiwan	Mar 78	5.3	25.2	31.0	24.3
Thailand	Nov 77	3.3	13.1	12.3	4.7

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	May 78	3.2	28.0	36.0
India	Feb 78	−1.5	7.5	3.2
Iran	Apr 78	1.8	12.6	15.3
South Korea	May 78	1.0	14.4	12.6
Mexico	May 78	1.0	15.0	17.2
Nigeria	Dec 77	3.2	16.6	31.0
Taiwan	Apr 78	1.8	10.1	7.6
Thailand	Apr 78	1.0	8.6	8.8

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	May 78	3.4	28.4	34.5
India	Mar 78	0.8	8.1	−0.6
Iran	Apr 78	1.0	11.1	12.5
South Korea	May 78	0.8	15.9	11.2
Mexico	May 78	2.5	16.5	16.3
Taiwan	Mar 78	1.1	8.2	1.2
Thailand	Jan 78	−0.2	9.5	6.4

EXPORT PRICES

US $

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Dec 77	2.0	13.7	−15.8
India	Mar 77	−0.9	9.6	17.9
Iran	Mar 78	0	32.0	0
South Korea	77 IV	4.6	8.9	8.8
Nigeria	May 76	−0.1	27.3	12.3
Taiwan	Mar 78	−0.7	11.2	3.8
Thailand	Dec 76	2.0	13.3	13.1

OFFICIAL RESERVES

	Latest Month: End of	Latest Month: Million US $	Million US $: Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Jan 78	6,757	1,013	6,193	6,041
India	Feb 78	5,563	1,006	3,481	5,069
Iran	May 78	12,468	208	11,460	13,728
South Korea	Apr 78	4,116	602	3,247	4,418
Mexico	Jan 78	1,909	695	1,507	1,720
Nigeria	Apr 78	3,768	148	4,784	3,900
Taiwan	Mar 78	1,433	531	1,349	1,447
Thailand	Apr 78	2,138	978	2,006	1,950

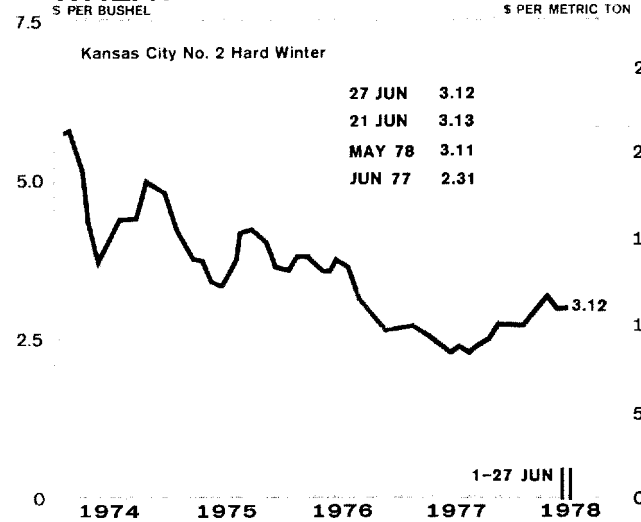
FOREIGN TRADE, f.o.b.

	Latest Period		Latest 3 Months Percent Change from: 3 Months Earlier[1]	1 Year Earlier	Cumulative (Million US $): 1978	1977	Change
Brazil	Apr 78	Exports	19.0	0.5	3,693	3,761	−1.8%
	Apr 78	Imports	7.7	5.8	4,028	3,840	4.9%
	Apr 78	Balance			−335	−79	−256
India	Dec 77	Exports	−22.1	13.9	N.A.	6,142	N.A.
	Dec 77	Imports	14.4	25.9	N.A.	5,365	N.A.
	Dec 77	Balance			N.A.	777	N.A.
Iran	Apr 78	Exports	−30.9	−7.1	7,682	8,012	−4.1%
	Mar 78	Imports	105.8	14.2	3,694	3,235	14.2%
	Mar 78	Balance			2,025	2,795	−770
South Korea	Apr 78	Exports	−15.7	30.8	3,638	2,832	28.5%
	Apr 78	Imports	12.5	25.8	3,849	3,035	26.8%
	Apr 78	Balance			−211	−203	−9
Mexico	Mar 78	Exports	91.6	14.9	1,217	1,060	14.9%
	Mar 78	Imports	−47.3	23.8	1,348	1,090	23.8%
	Mar 78	Balance			−131	−30	−101
Nigeria	Mar 78	Exports	−28.5	−15.2	1,018	1,200	−15.2%
	Dec 76	Imports	86.7	8.4	N.A.	N.A.	N.A.
	Dec 76	Balance			N.A.	N.A.	N.A.
Taiwan	Apr 78	Exports	−27.6	32.3	3,365	2,543	32.3%
	Apr 78	Imports	−14.5	20.4	2,869	2,338	22.7%
	Apr 78	Balance			496	205	291
Thailand	Dec 77	Exports	−27.2	−1.6	3,491	2,985	17.0%
	Jan 78	Imports	0.6	21.4	362	301	20.4%
	Dec 77	Balance			−684	−283	−402

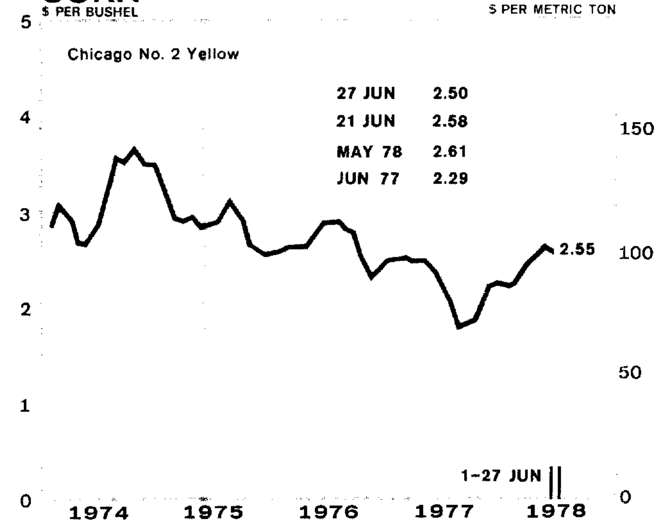
[1] At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

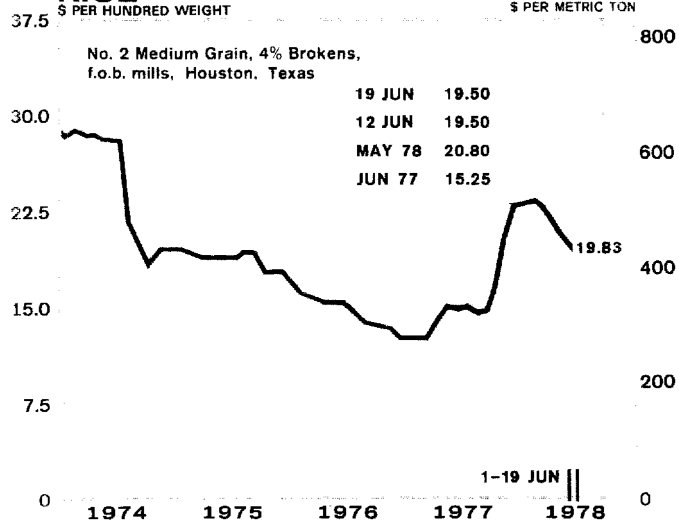
WHEAT



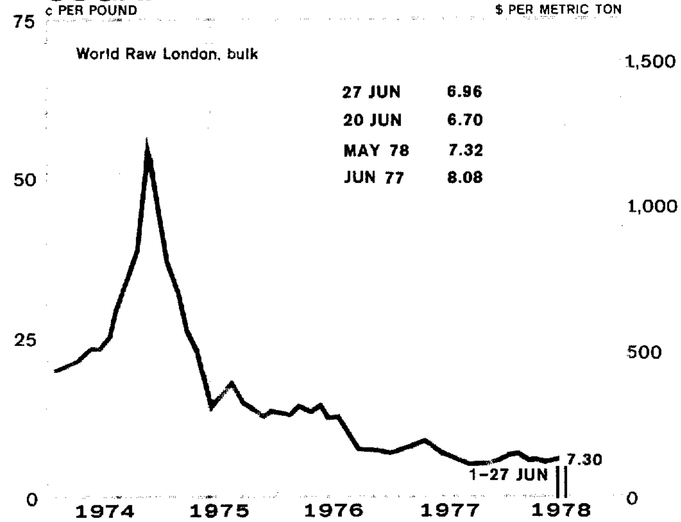
CORN



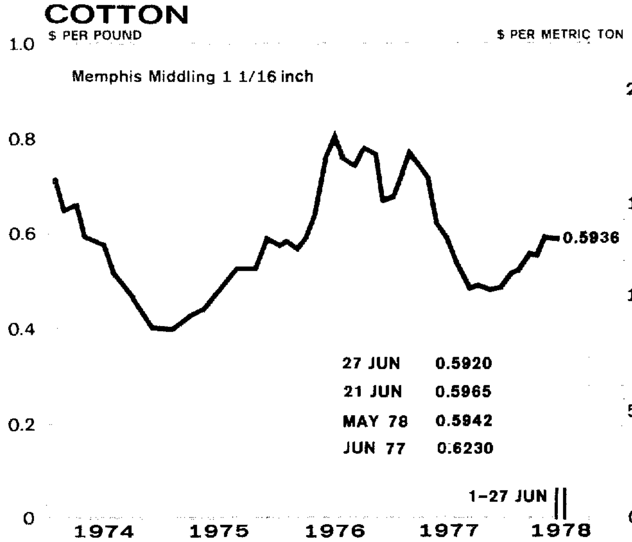
RICE



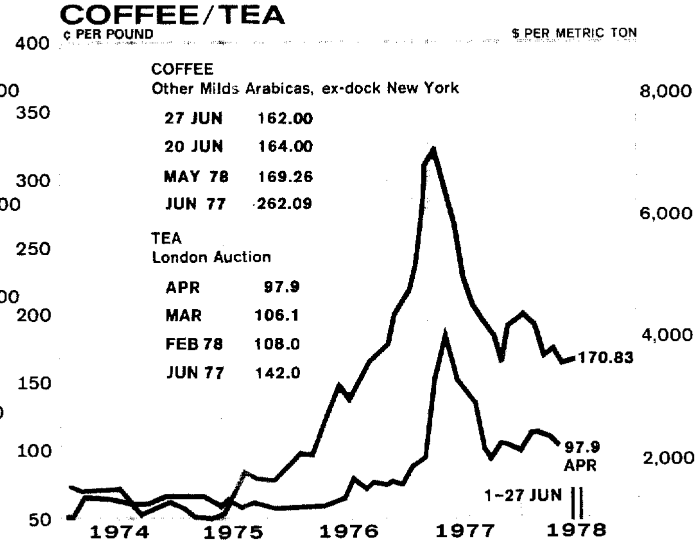
SUGAR



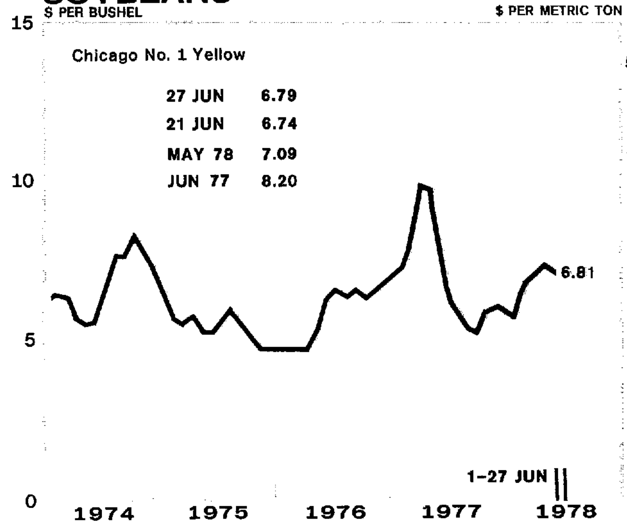
COTTON



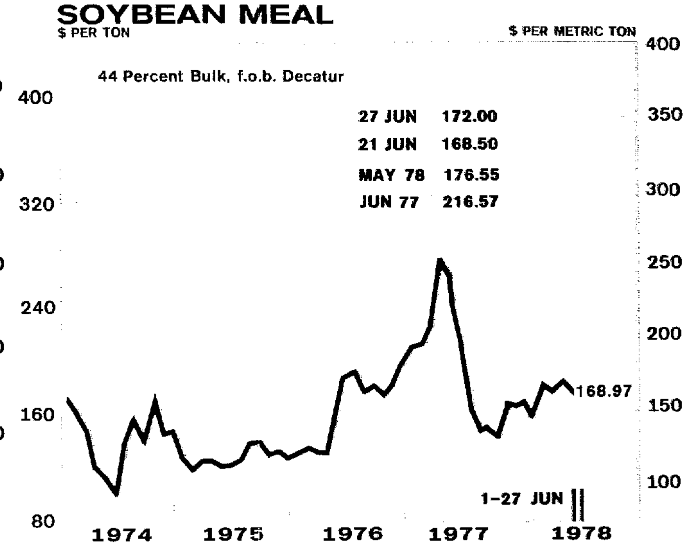
COFFEE/TEA



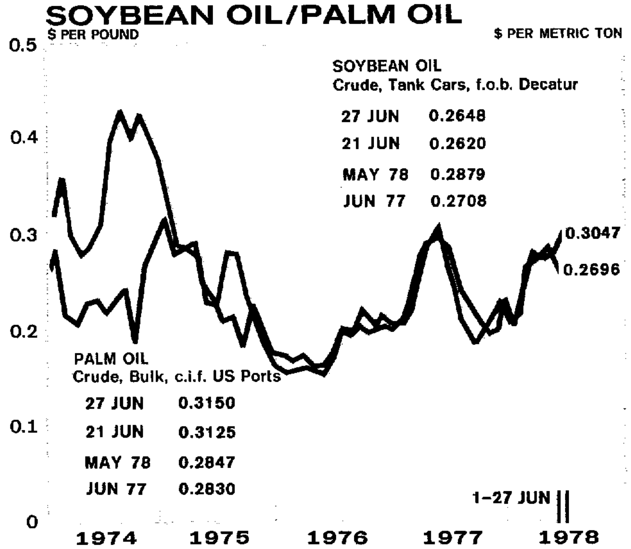
SOYBEANS



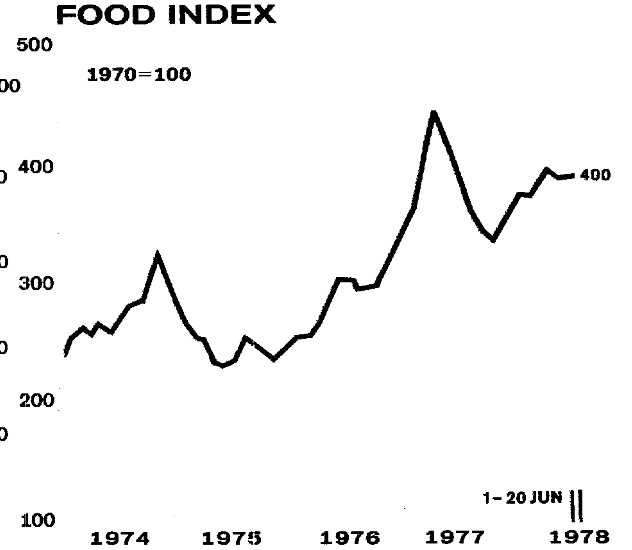
SOYBEAN MEAL



SOYBEAN OIL/PALM OIL



FOOD INDEX

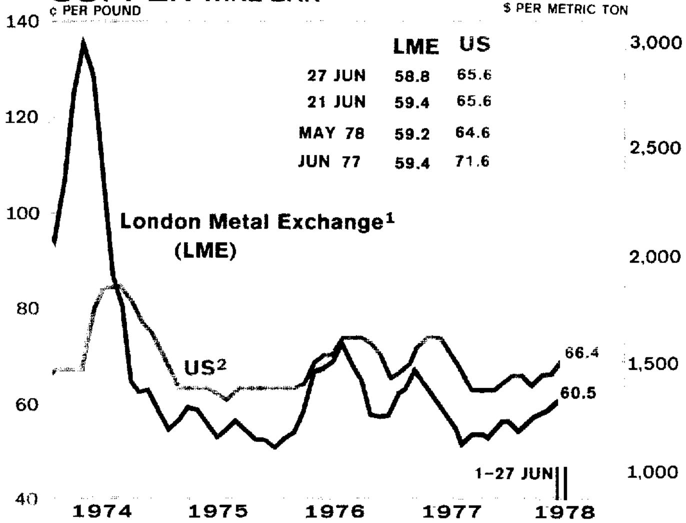


576496 6-78

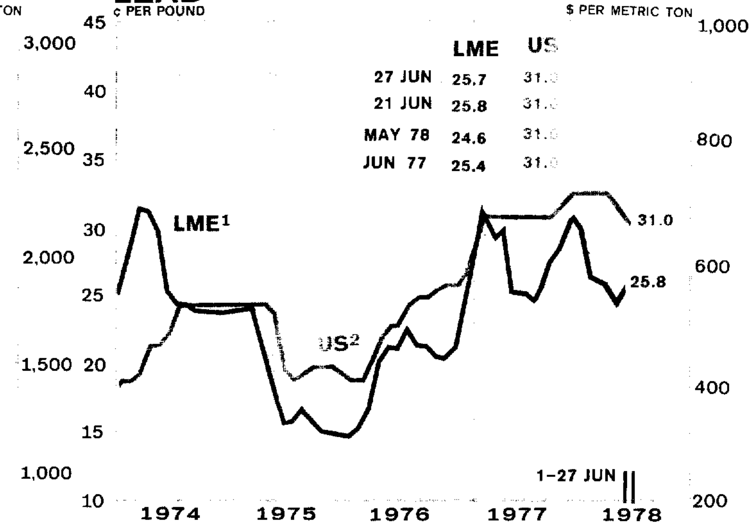
NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

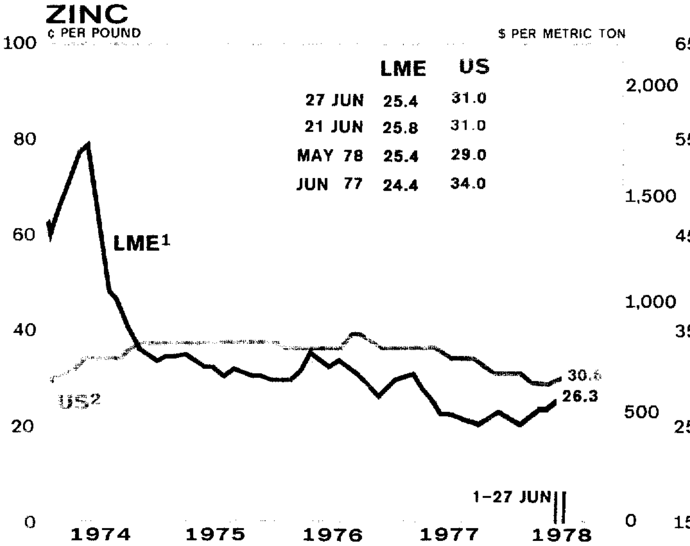
COPPER WIRE BAR



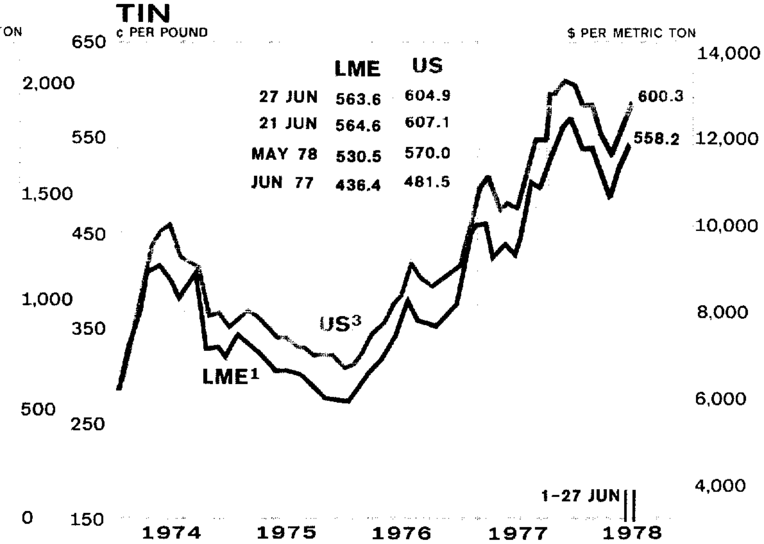
LEAD



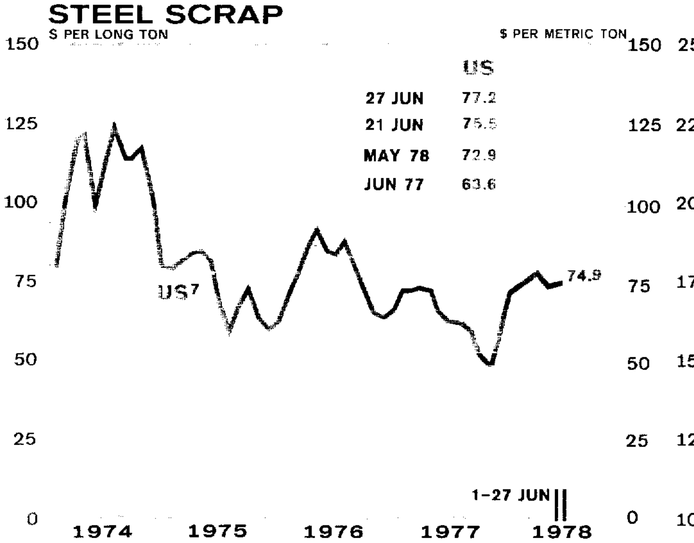
ZINC



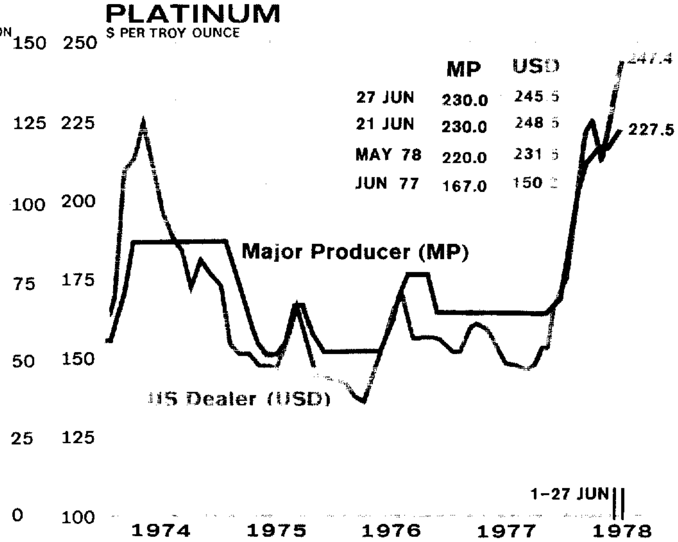
TIN



STEEL SCRAP



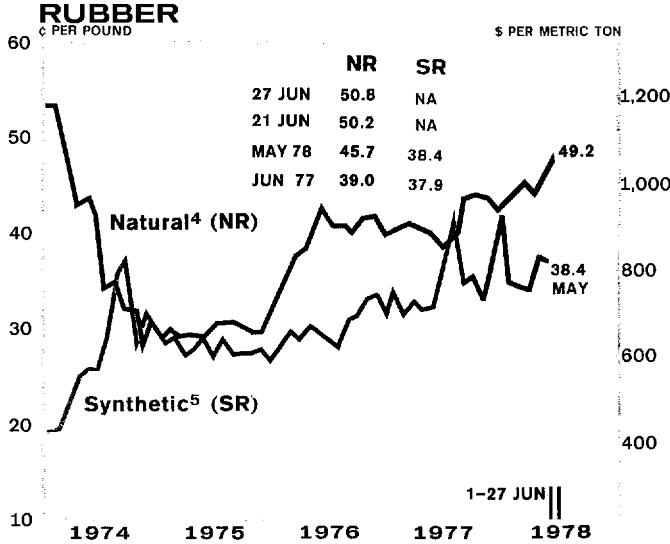
PLATINUM



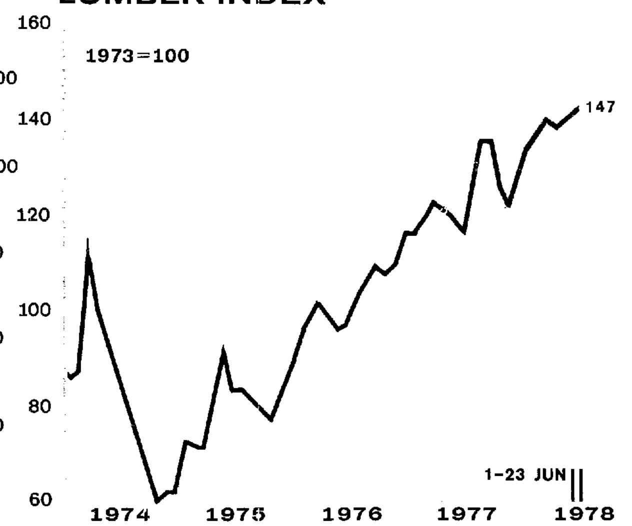
SELECTED MATERIALS

			CURRENT	DEC 77	JUN 77	JUN 76
ALUMINUM	Major US Producer	¢ per pound	55.00	53.00	51.00	44.00
US STEEL	Composite	$ per long ton	395.81	359.36	339.27	316.36
IRON ORE	Non-Bessemer Old Range	$ per long ton	21.43	21.43	21.43	19.50
CHROME ORE	Russian, Metallurgical Grade	$ per metric ton	NA	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	$ per long ton	56.00	58.50	58.50	39.00
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	42.00	41.00	43.00	45.00
NICKEL	Composite US Producer	$ per pound	2.07	2.06	2.41	2.20
MANGANESE ORE	48 Percent Mn	$ per long ton	67.20	72.24	72.00	72.00
TUNGSTEN ORE	Contained Metal	$ per metric ton	16,961.00	21,549.00	22,821.00	13,954.00
MERCURY	New York	$ per 76 pound flask	153.00	124.33	126.23	110.00
SILVER	LME Cash	¢ per troy ounce	535.91	472.49	446.93	478.82
GOLD	London Afternoon Fixing Price	$ per troy ounce	185.66	160.45	140.78	125.71

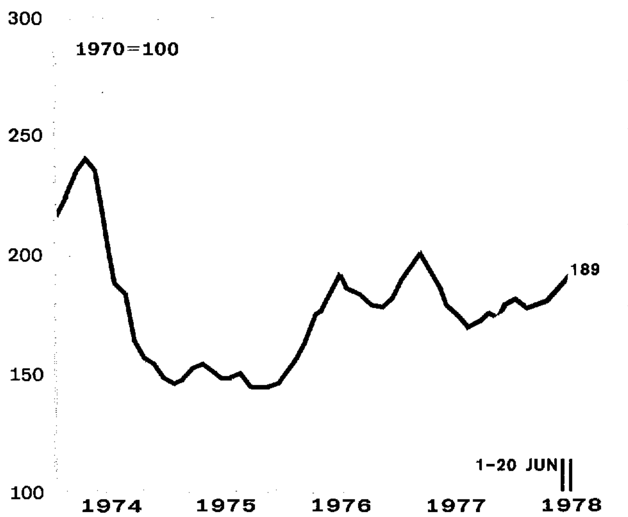
RUBBER



LUMBER INDEX[6]



INDUSTRIAL MATERIALS INDEX



[1]Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

[2]Producers' price, covers most primary metals sold in the US.

[3]As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

[4]Quoted on New York market.

[5]S-type styrene, US export price.

[6]This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.

[7]Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

576501 6-78

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